



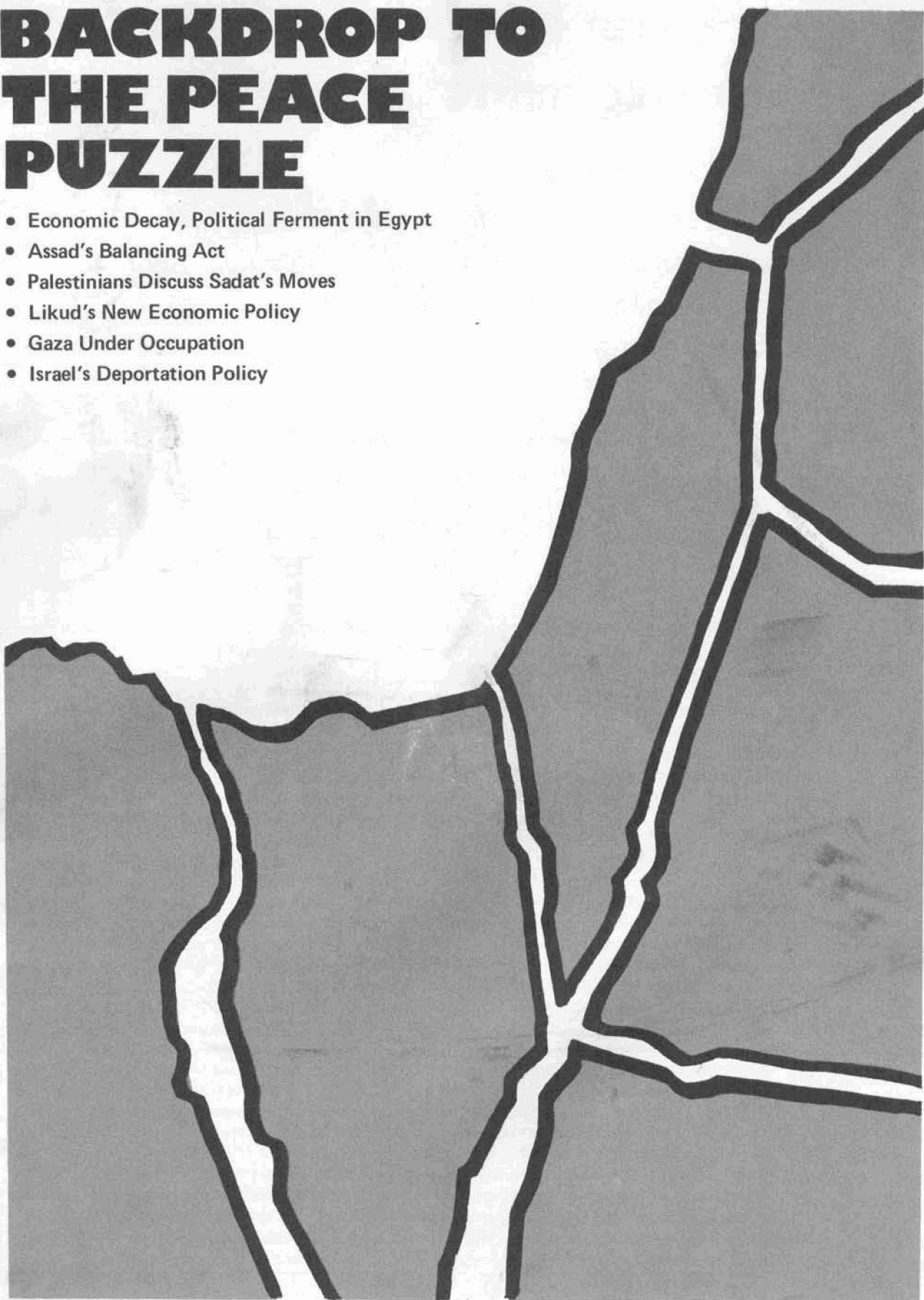
Middle East Research
& Information Project

MERIP REPORTS No. 65

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BACKDROP TO THE PEACE PUZZLE

- Economic Decay, Political Ferment in Egypt
- Assad's Balancing Act
- Palestinians Discuss Sadat's Moves
- Likud's New Economic Policy
- Gaza Under Occupation
- Israel's Deportation Policy



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Middle East Research & Information Project

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WHILE SADAT SHUFFLES:

ECONOMIC DECAY, POLITICAL FERMENT IN EGYPT

BY JUDITH TUCKER

Anwar Sadat's recent moves must be seen in the context of sharpening internal contradictions, as his last ditch attempt to secure the future of his regime. A Middle East settlement has become, in his eyes, the key to obtaining aid and investment and maintaining his own position and prestige in Egypt.

On both economic and political levels, the contradictions which gave birth to the January 1977 uprisings have deepened in the past year despite his simultaneous attempts to produce the much needed economic miracle and stifle political opposition. The "Open Door" (*Infitah*) policy¹ has limped along with few tangible results, while the priorities of a rising bourgeoisie and the breakdown of central planning aggravated crises in food supply, housing, and employment. The standard of living of the average Egyptian continued to decline while new wealth paraded ostentatiously through Cairo. The mask of "democracy" was gradually removed, revealing the regime's repressive face, while opposition from the right and the left kept it on the defensive. Sadat maneuvered: holding referenda, muzzling the press, declaring "new" revolutions, quickening the tempo of "de-Nasserization", bidding for personal prestige through foreign policy ventures.

THE BANKRUPTCY OF THE INFITAH

The *Infitah* has failed in its stated purpose: the attraction of foreign aid and private investment to shore up the Egyptian economy. The principles for joint ventures, provisions for tax exemptions, and the administrative machinery for dealing with investors (General Authority for Arab and Foreign Investment and Free Zones) were first established by law #65/1971. Law #43/

1974 lent additional precision and guarantees; law #32/1977 relaxed regulation of the import and export of capital and reiterated the guarantee against nationalization. On a legal level, the search for foreign investment has tended to focus less on what kind of investment would benefit Egypt and more on what conditions would draw investors. At the beginning of 1977, only 66 projects were in operation, with a total capital of LE 36 million and 3,450 employees.² Most free-zone ventures are involved with the transport and storage of merchandise rather than the industrial projects which would have significant impact on employment and productivity. The *Infitah* has been more effective in attracting foreign banks—now over 33 local and joint-venture banks and foreign currency branches serve non-productive real estate investment. Oil companies have received at least 33 exploration concessions, which have a similarly minimal effect on the development of productive capacity. The most significant agreement in 1977 was signed with Ford (UK) in October for the establishment of a \$145 million truck and diesel engine factory. Ford is still black-listed by the Arab Boycott of Israel Office.

The Egyptian government expressed hope that serious investors would follow Ford's lead. Egypt's standing in investment circles is still very low, however. Without a general revision of monetary, financial, commercial and social legislation the country remains a bad risk.³ The Sadat regime is thus caught in a bind: the faltering economy contributes to political weakness which in turn hampers government attempts to remake political and economic structures. The slow pace of peace negotiations was a major concern: a settlement of the Middle East crisis is central for assuring investors of the regime's stability.

Sadat's romance with imperialism has carried a high price tag. At the beginning of 1977, Egyptian debts totaled a record \$12.2 billion: \$2.1 billion in short term loans at 15-18 percent interest; \$2.5 billion in Arab deposits on demand; \$3.4 billion in long term loans from international and Arab organizations, and capitalist countries at 3/4 to 3 percent interest; and \$4.2 billion from the Socialist Bloc, primarily for military supplies. The current account trade deficit stands at \$7.1 billion (up from \$241 million in 1964), and economists foresee an average deficit of \$2.8 billion for at least the next two years.⁴ In this period Egypt will need a minimum of \$2.5 billion in loans and aid per year in order to simply repay old loans.

In the wake of the January uprising, Western and Arab creditors became more sensitive to Sadat's domestic political pressures. The World Bank organized a meeting last May for Egypt and its potential investors and creditors to discuss long-term strategy and economic reform. There, Munir Benjenk, a World Bank vice-president, stressed the atmosphere of understanding:

Delegates appreciate the magnitude of the task with which the government is confronted . . . This will require a longterm program of reform. Many laws, many habits have to be changed. But the countries and the agencies undertook to give aid and to give their support, knowing that it would not be easy but would take a long time.⁵

Aid and loans have been forthcoming in 1977: the Gulf Organization for the Development of Egypt (GODE), with capital from Saudi Arabia, Kuwait, Qatar and the UAE, promised some \$4 billion in balance of payment support; the IMF provided \$145 million in standby credit; Chase-Manhattan negotiated a \$250 million loan; US aid and loans totaled some \$1 billion.⁶ In October Sadat put off his major creditor by unilaterally announcing a ten-year suspension of Egyptian military debt payments to Moscow.

Even if Sadat retains the good will of his creditors and secures large-scale investment, Egypt's real economic problems will not be solved by the *Infitah*. This policy reflects the growing power of the Egyptian bourgeoisie, a class never eradicated under Nasser's "socialism" and now infused with those who accumulated private capital through illegal and extralegal dealings as upper-level bureaucrats in the public sector. The Sadat regime's policies serve the interests of this largely comprador and parasitic bourgeoisie, such as the expansion of the import-export sector, the growth of the private sector at the expense of the public sector, the removal of government market controls, and a general weakening of central planning and government control. Imports have soared from \$3.94 billion in 1975 to \$5.7 billion in 1976.⁷ Part of this figure reflects government purchase of food staples, but much of the increase is a result of the private luxury-good import business, a growing activity of bourgeois enterprise. Cairo streets treat the casual observer to many scenes of luxury consumption, from fleets of Mercedes to Philadelphia Cream Cheese.

Construction and tourism also bring quick profits for the revitalized Egyptian bourgeoisie. Although the new five-year plan (1978-82) foresees substantial private and foreign investment in construction, agricultural and machinery imports, and land reclamation, private Egyptian capital has so far followed the lead of foreign capital. The Egyptian bourgeoisie has not invested in the long-term, low-yield projects vital to Egypt's

development, but rather has moved cautiously in league with Arab and Western capital. The activity of private capital is exemplified by Othman Ahmad Othman, a member of Sadat's government and the owner of the Arab Contractors Company. Othman has made a fortune under the Sadat regime through government construction contracts and real estate speculation. Egyptian capitalists such as Othman want the legal freedom to invest privately, but only in high-profit, minimum risk ventures. While the regime is constricting the economic activities of the public sector, it still provides the Egyptian bourgeoisie with guaranteed contracts and a field for graft and rake-offs. Bourgeois interests walk a narrow line between expanding the private sector for their own investment activities and maintaining the public sector which can take the risks and losses in less profitable ventures.

Trade, both external and internal, attracts private capital. The government lifted some of the legal restrictions on private activity in internal trade during 1977. More importantly, the uproar over government subsidies must be seen in the context of a more general movement away from market regulation. Despite last year's popular protest, Sadat is fully committed to a total, but more gradual removal of subsidies. Such a move is bound to be applauded by the Egyptian bourgeoisie, eager as they are to move internal trade into the "free market." Dr. Qaissouni, the architect of the new economic order, promised a reduction in food subsidies from LE 662 million in 1976 to LE 407 million in 1977.⁹ Although Sadat promised that no action would be taken on food subsidies "except after consultation with the people,"¹⁰ Qaissouni declared that all subsidies except on essentials such as bread would be phased out in 2 to 3 years.¹¹ During 1977, the government did not officially remove any subsidies, but announced in August a raise in the minimum wage from LE 12 to LE 18 a month, with the understanding that cuts in food subsidies would follow. By late August food prices were moving discernibly upwards, shortages of basic consumer items abounded, and many Egyptians believed that the government had indeed lifted some subsidies on the sly.* The Sadat regime remains caught in a contradiction on the subsidy issue: bourgeois interests and pressure from international creditors require the phase-out of subsidies which distort "free market" prices, but any abrupt removal of subsidies would bring massive popular protest and imperil the very survival of the regime.

Similar perils face Sadat in the gradual move away from central planning and control towards reliance on private economic activity. This trend was strengthened in October 1977, when Dr. Qaissouni, already the Deputy Premier for Financial and Economic Affairs, acquired the portfolio of Minister of Planning. Qaissouni's major cabinet opponent, 'Isa Abd al-Hamid Shahin, was removed as Minister of Industry. The Institute of Planning, which had played a central role in the development and implementation of Nasser's Arab "socialism", was also fixed on the new course when an American-educated economist, 'Ali Abd al-Meguid, replaced the former Marxist director, Isma'il Sabri Abdallah. This move away from strong central planning has added to the chaos of the Egyptian economy. The five-year plan, slated to run from 1976 to 1980, had to be postponed for 2 years. The US General Accounting Office issued a report (September 1977) which stressed that economic and organizational problems

*Sadat immediately launched a highly visible campaign against food "profiteers" in an attempt to refocus popular discontent.

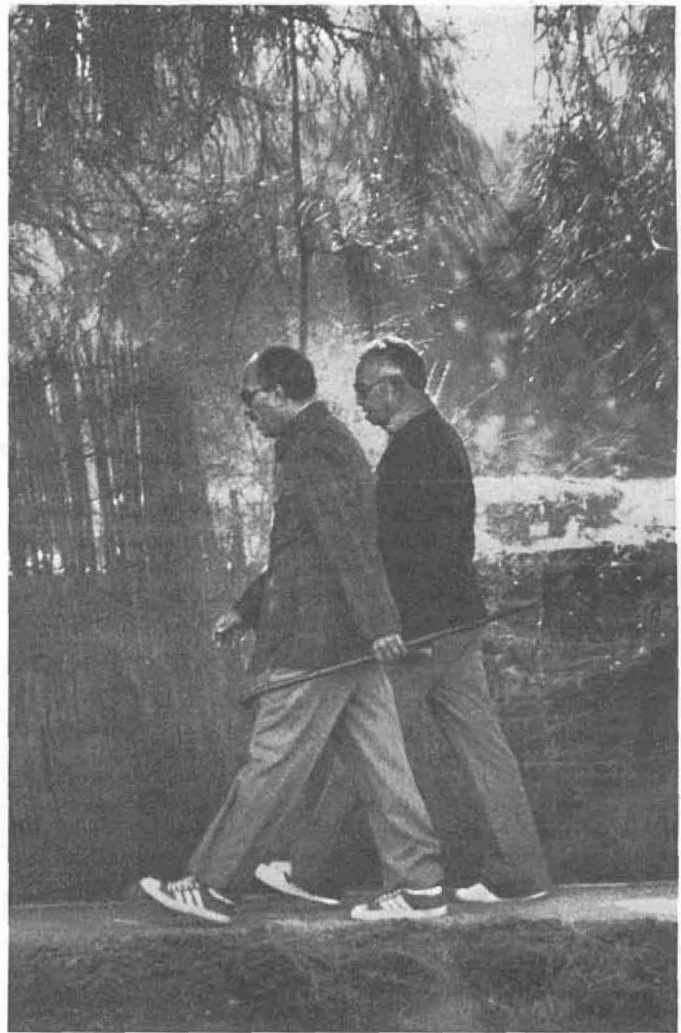
severely limit Egypt's ability to absorb US aid.¹²

The regime's handling of the housing crisis is a good example of the uneasy mix of state and private projects under a program of planning which has more rhetoric and drama than substance. Confronted with massive crowding, inadequate public services, and high unemployment in Cairo, the regime developed a plan to build a ring of desert satellite cities at a radius of 30 to 40 miles. The first of such cities, the "Tenth of Ramadan" now under construction, is meant to be a self-contained industrial city. The government sold land to private contractors who will build and market housing. But the scheme's success rests on its ability to attract private industry, which is far from assured, given the present absence of basic infrastructure, from adequate water supplies to transportation.¹³ The risk is great that the "Tenth of Ramadan" will end up as a block of much needed housing units standing in splendid desert isolation.

Insufficient housing is not the only pressing social problem. With an average income of under \$300 per year, Egyptians are poor, struggling to survive with an annual inflation rate of about 24 percent.¹⁴ Raising the minimum monthly wage to LE 18**, itself barely a subsistence wage, does not take into account the estimated 25 percent under- and unemployed out of a work force of 9 million.¹⁵ Life in Cairo has taken on nightmarish proportions: whole families share one small room; refuse from overworked sewers floods the streets; people resort to hanging off the backs of packed buses in order to get to work in the morning. A man named Mustafa tells a typical story: drafted into the army, he spent three years earning LE 2 a month. Upon discharge, he got a job with the government at the minimum monthly rate of LE 14 (before August '77), enough to help his parents with the rent, buy his food (usually beans and bread), and smoke a few cigarettes a day. He approaches his 30s with minimal prospects: no money with which to marry and obtain an apartment; no hope or vision of change.

Survival for many is even more precarious. Most Cairenes cannot support themselves and their families on their wages. Egyptian economists calculate that some 40 percent of agricultural production escapes government control and statistics; the many urban dwellers with village ties live partially off food given or bought far below market prices from their rural relatives. The roofs of Cairo also supplement the family diet: aerial chicken coops abound. Emigrant labor is another important source of income: in 1977 some 300-400,000 workers, primarily in Libya and the Gulf, were sending money home.¹⁶ Despite such supports, the standard of living of most Egyptians is on the decline. One hears often that: "Five years ago, we ate meat once a week; now we must skimp in order to have a bit on feast days." The average Cairene depends heavily on the low cost of subsidized staples, as Sadat found out so clearly last January.

The Sadat regime offers no strategy for development. Growth in agricultural production, for example, lags behind population growth so that grain imports keep rising. Yet the new five year plan allocates only LE 410 million for agricultural development. The plan has other curious anomalies: some 10 percent of industrial investment is earmarked for the paper industry.¹⁷ The problem is, of course, much more basic: dependence on foreign investment, commitment to an internal "free market," and the gradual dismantling of the planning apparatus have left the Egyptian government incapable of dealing with the shortages of food, housing, transport and



Sadat on daily stroll with Othman Ahmad Othman

employment that inform the daily life of its people.

THE NEW DEMOCRACY

The Sadat mission can be seen as the latest in a long series of political maneuvers calculated to diffuse popular dissent arising from these disastrous economic conditions. Sadat points with pride to his program of political liberalization. This "democracy" is, however, a jerrybuilt edifice designed to support the regime. In November 1976, the government virtually created three political parties to approximate the conditions of democracy: the "center" Arab Socialist Party, the "right" Socialist Liberal Party, and the "left" National Progressive Grouping Party. The Arab Socialist Party, with a majority of Assembly seats, represents the interests of the regime, the rising bourgeoisie, upper-level bureaucrats, and some landholders. It supports Sadat without question, and with official sanction and privilege easily retains its majority position. The Socialist Liberals represent some of the middle-level bourgeoisie and technocrats. With weak representation in the Assembly, they have rarely challenged Sadat. Indeed, the Liberals' president, Mustafa Kamel Murad, strongly supported Sadat in the wake of the January uprising. The National

**LE 18=\$32.

Progressives provide the only real political diversity. Formed as a "loyal left" under the leadership of Khalid Muhieddine, they have managed to elude the aim of the government to maintain them as a showpiece by drawing together diverse elements on the Egyptian left—Marxist intellectuals, left Nasserists, union leaders—into a semblance of unity. Deprived of funds and forums, however, their showing in the elections has been limited: they now hold four of the 375 seats in the People's Assembly.

With only an occasional verbal challenge from the National Progressives and a few strong-minded independents, the Assembly rubberstamps the regime's proposals. The new democracy does not allow for much criticism of the regime: the one deputy who dared to question the procedure and results of last February's referendum—held by Sadat to reassert his power after the January uprising—was expelled from the Assembly.

The creation of the People's Assembly is but one move in the ongoing campaign to discredit "Nasserism" and the Nasser period. Given the present state of the economy, Sadat cannot claim to have improved the material lot of the people, so he focuses on his defeat of Nasserist "totalitarianism." In his 1977 May Day speech Sadat told a meeting with Nasserist students:

What does Nasserism mean? It turned out that we must reintroduce the detention camps, custodianship, and sequestration. We must revert to a one-opinion, one-party system, abandon democracy, and adopt Marxism.¹⁸

The attack on Nasser has taken many forms: one was the government-sponsored extravagant musical comedy, *Iyun Bahiyyah*. Egypt's best musicians and dancers served up a thinly-disguised allegory in which an indecisive, inept king (Nasser) allows malevolent red-clad forces (the USSR) to steal away the lovely Bahiyyah, the soul of Egypt.

The campaign also includes glorification of the "Corrective Revolution" of May 15, 1971, when Sadat purged the left-Nasserist, pro-Soviet faction in the government. The sixth anniversary of the "Corrective Revolution" was celebrated with more fervor than the 25th anniversary of Nasser's July 1952 revolution against King Farouk. Sadat's message to the People's Assembly outlined the "Corrective" principles: the supremacy of law, the state of institutions, the establishment of freedoms, and respect for the constitution.*¹⁹ But it seems that the "Corrective Revolution" was insufficient, for Sadat's May Day speech also proclaimed a "Managerial Revolution" to correct bureaucratic abuses and eliminate red tape. This last "revolution" brought cynical smiles to the faces of Egyptians, who months later were still waiting in endless bureaucratic lines and exchanging information on the latest scandalous swindle in high places.

Discontent with the regime was a fact of life on Cairo streets in the period preceding Sadat's trip to Jerusalem. Outright opposition from both the right and the left also confronted the regime. The rightist challenge comes cloaked in the traditional religious garb of the Muslim Brotherhood and its offshoots. The Brotherhood has split into three main groups within Egypt. The first, led by Omar al-Iqtisari, publishes its weekly newspaper, *al-Da'wa*, under unofficial sanction. This group publically backs Sadat on the grounds that his regime is

moving to establish rule by Islamic law. The second and numerically most important group operates largely underground with occasional public shows of strength. It is willing to lend support to Sadat if and when he gives the organization legal status and a share in power. The third group is the ideological descendent of Sayyid Kutub, the Muslim Brother executed under Nasser. It clearly opposes the regime and calls for an armed takeover of the state.

Last year, the most direct challenge to the regime came from several smaller paramilitary Islamic groups, which had grown out of a Muslim youth association. Sadat and Qaddafi jointly created this association (*al-jama'a al-shar'iyya*) on campuses and in factories in 1971 to combat leftist influence. After the Sadat-Qaddafi split, the association lost its official standing and evolved into a number of underground organizations intractably opposed to the Sadat regime, including: *Jund Allah* (Soldiers of God), *Al-Jihad* (the Holy War), and *Jama'a al-Takfir wa Higra* (the Association of Atonement and Return). The latter group burst into prominence last July with its kidnapping and execution of Sheikh Muhammed Husain Dahabi, a former Minister of Waqfs and al-Azhar Affairs. The regime quickly rounded up over 600 suspects, 50 of whom were eventually tried in military court: six were condemned to death, and 31 received prison terms from three years to life.²⁰ In August, members of *Jund Allah* and *al-Jihad* were also arrested and accused of terrorist activities.

Although numerically weak (unofficial estimates of membership run up to 3,000), the paramilitary groups are capable of creating chaos within the country, and symbolize an important current of ideological opposition to the regime. Their emphasis on corruption and moral bankruptcy strikes a sympathetic chord in many sectors of the population. The Islamic traditionalist movement, despite its reactionary content, serves as a forum for criticism of Sadat as the man who sold his country to the highest bidders.

Sadat remains acutely aware of the right-wing threat to his regime, but his maladroit attempts to appease them have usually backfired. Last summer, when the Ministry of Justice revealed a draft law to make apostasy from Islam punishable by death, Egypt's Coptic community expressed its protest with a five day fast. Similar proposals to implement Islamic *shari'a* precepts, such as banning usury, amputating hands as a punishment for theft, and publically whipping drunkards or traders in alcohol, also raised Coptic hackles. Sadat, hardly able to afford alienating the predominantly loyal Coptic establishment, quickly shelved such legislation and made several well publicized appearances with Pope Shenouda, the spiritual leader of the Copts.

The growing left opposition—from social democrats to revolutionaries—has not been the target of a similar policy of appeasement. Several groups on the political scene cannot find expression within the framework of the three official political parties. During the past year, at least two attempts were made to form parties which could be a real center, lying to the left of the regime. In August, Fuad Serageddine announced plans to reconstitute the *Wafd*, the pre-1952 national party, with "national bourgeoisie" as its potential constituency.* Although the Political Parties Law, passed by the Assembly last June,

*These "principles" have little substance, and are essentially polemical attacks on Nasser's "totalitarianism."

*There is considerable debate as to whether any faction of the Egyptian bourgeoisie is sufficiently autonomous to constitute a real "national" bourgeoisie. It should be noted however, that the Egyptian left in general identified a national bourgeoisie which is essential to their short-term strategy.

From The Opposition

The following are excerpts from an interview with a leader of the National Progressives conducted by MERIP in October 1977.

ON THE FORMATION OF THE NATIONAL PROGRESSIVES

"There were many discussions among the left forces as to how we could benefit from this situation [the establishment of legal parties] and form a real left party at this stage of development. We agreed that the social forces in Egypt today which constitute a left alliance are: the poor peasants, workers in the public sector, the muta'alimin [university graduates from working and peasant backgrounds], and soldiers. These forces are represented by the Nasserites, the communists and the Marxists, and the so-called Arab Unionists influenced by the Ba'ath and the Arab National Movement. The progressive religious elements are also important . . . For the first time in the last 100 years, we have the main progressive forces grouped together with one leadership, one platform, one program."

ON STRATEGY

"The most important role of our party is to serve as a ground of dialogue for all the different communist movements and as a platform for common action . . . We do not pretend to be the revolutionary party of change, of radical change. We say that we now are—given the balance of forces in the society and the Arab world, and the nature of Sadat's

democracy—the party which must achieve some qualitative change which can pave the way for the constitution of a unified revolutionary force and radical change. It is similar to the experience of Ho Chi Min in Vietnam when he refused to establish the Communist Party before preparing the national progressive ground which could accept and absorb the Communist Party and its leadership."

ON ALLIANCES

"We want to form a front with the Wafd and the Independent Parliamentary Front around the issues of democratic rights and the independence of the economy. They, as representatives of the national bourgeoisie, are in favor of independence. We do not ask them to be socialist. The problem is that the economy, which was liberated, is now in the hands of the Americans, the Saudis, etc. To gain our economic independence is a very important task. The national bourgeoisie is in favor of independence; it is in their own interest."

ON THE NATIONAL BOURGEOISIE

"They represent some one and a half to two million people. They are, for example, the owners of small textile factories. With the Open Door policy, they can't compete with imported goods. Many of the personnel of the state are sons of this class. Allied with them are the right-wing liberals working in the universities. They have some relationship with their counterparts in Saudi Arabia and the Gulf: the new classes who are afraid that Sadat's policy will damage the interests of the bourgeoisie of the region."

allowed for the constitution of new parties, the government was quick to rule that the formation of a new Wafd would violate the law which forbids the reconstitution of old parties.²¹ The Wafd finally obtained official approval in February 1978.²² The Independent Parliamentary Front, a regrouping of independent liberals within the People's Assembly, was also established to express social democratic tendencies. These "center" formations oppose the Sadat regime primarily on the issues of democracy and central planning, and call for real political liberalization and a return to stronger national control of the economy.

The official left party, the National Progressives, seeks a strategic alliance with these "center" forces. Its more than 160,000 registered members include Marxists, Nasserists, intellectuals and trade unionists. It has consistently criticized the Sadat regime, its policy of *Infitah* and its approach to a Middle East settlement, while supporting the Palestinian Resistance and Lebanese National Movement. It retains close unofficial ties with the five illegal communist parties in Egypt: the Egyptian Communist Party, the Labor Communist Party, the Revolutionary Tendency, the Twelfth of January Organization Movement, and the Revolutionary Egyptian Communist Party. These parties, with a small but active membership, concentrate on clandestine organizing on campuses and in factories.

The January uprising underlined for Sadat the dangers he faced from the left. Challenged verbally in the Assembly and

physically on the streets, the regime reacted with repression. Of the 3,000 people arrested at the time of the uprising, 360 were clearly political detainees—leading members of the National Progressives, communist parties, and trade unions—who were not involved in the riots. Leading members of right-wing organizations were not detained. 1977 witnessed a series of arrests and trials under the emergency decrees of February (later made law) which made involvement with banned organizations punishable by life imprisonment at hard labor. The cases of those accused of belonging to clandestine communist groups were referred to military court, where charges ranged from actual membership in banned organizations to "circulating rumors and propaganda against the regime, arousing hatred and contempt for the regime by delivering speeches and poems in public seminars and meetings, issuing pamphlets, putting up posters, and distributing leaflets."²³ Despite many acquittals for lack of evidence, the trials and arrests continued all year: in September, an additional 34 suspects were accused of membership in communist parties. Some of the acquitted have yet to be released from jail. The regime also used other measures: leftist union leaders lost their bonuses or their jobs, leftist intellectuals were removed from key positions in the media and the universities. *Al-Tali'a* and *Rose el-Yusef*, the only independent progressive publications in Egypt, lost their editors and underwent total transformations.

The regime's ideological attack on the left lumps together

the official left party, the underground communist groups, and the Soviet Union into one big subversive threat. But Sadat's options are limited by his claim to popular support based on his "democracy" and political liberalization. Unable to ban the official left party, he tries to discredit it, especially through guilt by association. Last July he declared that:

Egypt supports the purely Egyptian left, but she repudiates the atheist Soviet Marxist left. Those Marxists who have joined the leftist party are repudiated, but this does not mean that they will be put into detention camps. The detention camps have been closed forever.²⁴

REACTION TO THE VISIT

The reaction in Egypt to Sadat's Jerusalem trip and the opening of bilateral negotiations must be seen in this context of internal repression. The left's ability to maneuver and mobilize is circumscribed. The regime also conducted a carefully orchestrated press campaign to prepare the people for Sadat's steps, equating peace with prosperity, and sowing anti-Palestinian sentiment by portraying the Palestinians as greedy ingrates who would fight to the last drop of Egyptian blood.* This

*Al-Ahram, the newspaper which reflects the regime's position, led this anti-Palestinian campaign. Al-Ahram's editor, Yusif Sebai, an appointee and close friend of Sadat, accompanied him to Jerusalem. He was assassinated in Cyprus on February 18, 1977. Sadat reacted by intensifying the anti-Palestinian campaign.

campaign, supplemented by the regime's policy of providing a day off work and free transport to those who swell the welcoming crowds, brought Egyptians into the streets to greet Sadat upon his return. Sadat knows full well, however, that popular approval is tentative and that opposition to the visit exists in many quarters.

The army remains an unknown quantity at the moment. The commander, General Gamassi, is a Sadat loyalist as are the senior officers. They realize their own military weakness; with supplies and overall readiness at an all time low, a successful war against Israel is out of the question. Army commanders sent cables of support to Sadat before he embarked on the Jerusalem journey, but middle-rank officers and the soldiers cannot be counted on to stay in line. Many traces remain of the historical anti-imperialist ethos of the Egyptian army: Gamassi hesitated to use the army during the January uprising out of fear for its loyalty; Egyptian intervention in Zaire provoked an anonymous army communique stating that Israel was the only enemy; "anti-Zionist" naval officers in Alexandria were tried and executed for a coup attempt last August. Although the living standard of senior officers has improved under the *Infitah*, inflation has made inroads on the material privilege of the rest of the army.²⁵ Despite a well-timed pay raise in October, the middle and lower ranks of the army are a locus of potential opposition, especially as the Sadat venture falters.



Cairo slums: poverty for the majority

In *MERIP Reports* no. 64 we carried a call from Egyptian poet Ahmed Fuad Negm describing the increasing number of political prisoners and the wretched conditions in Egypt's prisons. Negm was one of ten people arrested at a rally opposing Sadat's trip to Jerusalem.

A CALL TO DEMOCRATIC FORCES, ARTISTS, AND INTELLECTUALS ALL OVER THE WORLD FROM THE POPULAR EGYPTIAN POET AHMED FUAD NEGM

On Thursday, February 23, 1978, I will stand with my friend and comrade Sheikh Imam Issa, and my wife, Ezza Balbaa and seven students from the Faculty of Engineering of Ain Shams University to be tried on the oddest accusation that a poet or artist can be accused of—that of writing poetry and putting it to music and singing it. We stand in front of the strangest court that an artist can stand before, i.e., a high military court. Our crime in the eyes of the authorities is that we sing for the hungry, exploited, oppressed and poor, and not for the thieves and bloodsuckers, and we sing for liberation and solidarity, not for surrender and national humiliation. We sing poetry for the strugglers and not for the pimps; and we defend national dignity and the independence of our nation, and we stand firm with the honest word and with a faithful melody for the people of Palestine—the people who lost their land without having started any aggression and who have been forgotten by the "peace"-mongers . . . and we sing for a tomorrow that we are confident will be built by the honest hands of the toilers on the ruins of the decay that is suffocating the Egyptian society.

The trial of any Egyptian citizen, other than officers and soldiers, in front of a military court is a terribly shocking thing; the trial of artists, poets and students in front of

Outright opposition from the left and the right dogged Sadat's recent steps. Adel Eid of the Muslim Brotherhood criticized Sadat for acting independently of the Arab states and the PLO, and for recognizing Israel.²⁶ The extreme rightist Muslim groups sent death threats to government officials and journalists who supported the visit.²⁷ In the center, the Independent Parliamentary Front called for Arab solidarity and pointed out that Sadat should have consulted the Assembly before acting. The *Wafd*, on the other hand, gave tentative approval to Sadat's initiative, a move undoubtedly instrumental in securing the official approval of the party a few months later. On the left, the National Progressives stressed that withdrawal from the occupied territories and restoration of the legitimate rights of the Palestinians can only be imposed on Israel through building Arab solidarity and military power. After the Isma'ilia conference, Muhieddine observed:

In the final analysis, the balance of forces determines the outcome of negotiations, as the Head of State has just experienced. Mr. Sadat broke with the Soviet Union and renounced Arab solidarity. In practice, if we judge by the results—perhaps provisory—of the conference, he can do nothing but conclude a separate peace under the conditions imposed by Begin.²⁸

Members of the National Progressives and the underground left were arrested in November and December for distributing leaflets and attempting to organize meetings in protest of the

such courts is something that we leave to the judgment of the conscience of every writer and artist, not only in Egypt and not only in our Arab nation, but all over the world. We leave this judgment to the history of Arab civilization, which has always rejected freedom of thought, expression and conscience . . . a civilization every page of whose history condemns this ugly practice which the authorities in Egypt are resorting to in order to terrorize those who refuse to sing about love and peace to those who killed the children in Deir Yassin and the mothers of Bahr el-Bahr, and the workers of Abu Zaabal!

We do not fear prison, which has become a constant duty in the life of every person in Egypt with any self-respect. We have slept for years in those prisons in the cold winter and the hot summer, but we have been able to continue singing to the people as members in the Egyptian nationalistic intellectual movement, that wishes to build up an advanced humanistic culture. However, our stand before a military court is an indication of the low level that democratic freedoms have reached in Egypt, especially freedom of literary and artistic creation; and if poetry and singing lead to military courts, then we are really back in the Middle Ages, and the fire is being prepared for anyone who stands for his people and his nation.

Our admiration for the great Egyptian Army that produced Ahmed 'Urabi and tens of other strugglers and whose heroic actions we have always sung of makes us confident that the sons of the Egyptian peasants, who made a wall against the occupiers with their skeletons, will not accept this degrading state of affairs. Their real and honorable place (despite the traitors who went on their knees) is there in the desert—which has been irrigated by the purest and most honorable blood—to liberate the land occupied by*

visit. Soviet and Eastern Bloc cultural centers throughout Egypt were accused of subversive activities and closed down. Hundreds of Palestinians were arrested and deported.*

Through repression and arrests the regime is currently attempting to silence all opposition, and portray dissidents as agents of foreign powers. But the opposition is still heard. After a full year of desperate political maneuvering, Sadat finds himself still in a corner. Now he must count on Israeli cooperation and US clout to relieve his pressures at home. His political future is inextricably linked to the slogan of peace and prosperity. But even if Sadat negotiates a separate peace agreement with Israel, prosperity will come only for the few of Egypt, not for the many. And it is the many who ultimately will determine Sadat's political future.

* See pp.8-9 and MERIP Reports #64 for information on the case of Ahmad Fuad Negm.

¹For a discussion of the policy of *Infitah*, see MERIP Reports, #31 and #56.

²*The Financial Times*, 1 August 1977.

³*L'economie des Pays Arabes*, April 1977. (EPA)

⁴*The Financial Times*, 1 August 1977. (FT)

⁵*Middle East Economic Digest*, 20 May 1977. (MEED)

⁶*Wall Street Journal*, 12 Dec. 1977.

⁷US Department of Agriculture, #24A, *Egypt: Agricultural Situation*, 6 April 1977.

⁸MEED, 26 August 1977.

continued on p. 26

the aggressors; and we do not accept that they are in the right place shaking hands with slaughterers and imperialists.

The silence of all writers and poets, societies and organizations, in Egypt and all over the world, is not only a failure to meet their obligations to us, but it is a betrayal of the continuous struggle for the establishment of freedom of thought, opinion and conscience, and of all the sacrifices that the world has paid for the freedom of literary and artistic creation.

Let us all unite to stop all mockery of democratic freedoms and let us protect the Egyptian people's right to express their opinion in respect to the national interests, and let us put an end to the increasing terror which is directed against national democratic forces in Egypt, and let all writers and artists in Egypt and all over the world make their voices heard by the Egyptian authorities and let us all sing to the masses, the creators of life; and let us sing for the advancing masses, who are going to build the new tomorrow on the ruins of existing putrefaction.

Egypt, our mother, you are a ship . . .

However rough the sea is,

Your peasants are your sailors.

They call the wind and it obeys . . .

At the rudder is a worker . . .

At the oars is an artisan . . .

From the top of the mast can be seen

all that is coming and going,

Two attempts, and the third successful,

You ride the strong wave—

You reach the safe shore—

*Beautiful and young Baheya.***

Ahmed Fuad Negm

February 20, 1978, Cairo

*Ahmed 'Urabi was an Egyptian army officer who led the proto-nationalist revolt which provoked the British occupation in 1882.

**Baheya is an Egyptian word that is used as a name for a beautiful, fresh-looking woman, and as a symbol for the land of Egypt.

Damascus street scene in 1974



SYRIA AND THE PEACE PLAN:

Assad's Balancing Act

BY GEORGE KANAAN

Sadat's Jerusalem trip did not precipitate new divisions in the Arab ranks; it merely highlighted the existing ones. With memories of the bilateral Sinai Disengagement Agreement in mind, Assad was convinced that the Egyptian leader would seek a separate peace with Israel. Assad felt that Sadat was again placing on his shoulders complete responsibility for solving the Palestine question, the heart of the Arab-Israeli conflict.

In the final days of November Syria hastily revived its diplomatic efforts to form a "moderate" rejectionist camp including Saudi Arabia and Jordan. Fearing isolation, Assad tried to persuade the two Arab monarchies not to support the Sadat venture. Assad hoped Sadat would be forced to depart from his isolationist path and join a Syrian-led moderate front which aimed at a comprehensive peace at Geneva. But Assad failed. Both Saudi Arabia and Jordan, though mildly critical of Sadat, maintained tacit support for the Egyptian move,

pending the outcome. Assad did manage to come out of the Tripoli Summit Conference (Dec. 2-4) with unexpected support from most of the "rejectionist camp." The major results of the Tripoli Summit were two: first, the rejectionist delegations, rather than trying to dictate policy to Assad, in the main, buttressed his diplomatic posture. Second, the PLO and the PFLP-led "rejection front" unexpectedly moved for reconciliation after years of bitter ideological rivalry. This led to the adoption of a "Six Point Common Platform." Although Assad distrusted the motives of the Palestinian "rejection front," which he had tried to eradicate in Lebanon, he was certainly encouraged by signs of a rift between the PFLP and Iraq. Furthermore, the PLO leadership, though divided over the best tactics for escaping from under the thumb of the Assad regime, had no choice but to return from Tripoli as Syria's ally.

At present the Assad regime adheres to its proclaimed principles: a comprehensive negotiated peace settlement with some form of PLO representation. The following are important factors in the Syrian position.

Assad is far better equipped than Sadat to withstand the strains of either diplomatic deadlock or protracted negotiations. His regime is better protected than Sadat's from internal opposition forces. Over the past seven years Assad has had a large measure of success in consolidating his power and thereby stabilizing political life in Syria. Although he is not free of local opposition, he has spent exorbitant amounts to perfect an effective and sophisticated system of political repression. The Assad regime is not saddled with the enormity of social and economic problems found in Egypt. Unlike Sadat who has created within Egypt the illusion that "peace at any cost" will save the economy from destruction, Assad has not yet had to make a similar claim for Syria.

On the other hand, Assad has far less freedom to maneuver at home regarding the settlement question and thus cannot make Sadat-style overtures without taking an enormous risk in the short-term. Assad feels more threatened by Syrian hardliners, who consider his preconditions for a settlement too concessionary to Israel and want to see them stiffened, than by pressure from groups willing to compromise. Syria's mainly comprador bourgeoisie—since the 1973 war tied more closely to government circles and pressing for economic liberalization—is ready for compromise, and Assad maintains his policy by playing this group against the hardliners.

The rejectionist movement in Syria is a broad, loosely-knit coalition of ideological factions with a pro-Soviet bent (and in some cases with a concealed Iraqi Ba'ath connection) within the government, the Syrian Ba'ath Party, and the military. The Ba'ath Party, less influential than the Presidency in both foreign and domestic policy-making under Assad, was not clearly united behind his decision to invade Lebanon. Ideological conflict within the Party and the National Progressive Front* has focused on the Assad regime's open-door policy and its warmer relations with the US at the expense of relations with the Soviet Union. This conflict has intensified since Assad moved into Lebanon. Unlike Sadat, who has no real party to which he must answer, Assad has to weigh his support within the Ba'ath Party on each major issue before taking a decision.

Assad also faces pressure from the right. Assad's Alawite minority, which is over-represented in the government, Party, and upper echelons of the military, has been the focus of a Sunni-Muslim majority's antagonism, as expressed by the Muslim Brethren. To a certain degree, the Sunnis have been pushed to the periphery of the power structure under Assad. The Muslim Brethren, three groups with no organized power base in the government, are reinforcing their opposition movement by broadening the socio-religious base of their support, particularly in Syria's interior towns. Although opposed to a US imposed peace plan which they feel will permit more western penetration, the Muslim Brethren are virulent anti-Communists and are not aligned with the rejectionist-progressive front in the government.

Assad knows that the Begin government will not be forced to return any Syrian territory by Sadat-style diplomacy. In

his opinion a unified Arab front, including Egypt, is the minimum requirement to get the necessary US pressures on Israel to negotiate the type of peace that will guarantee the return of this land. Assad's position has been conditioned by the pressures of a rejectionist opposition, in particular the progressive wing of the Ba'ath Party, which is resolutely opposed to any recognition of Israel without the prior return of the Golan. Should he try to change his opinion on this crucial matter, Assad will face an intensified wave of political instability at home.

The Assad regime, through its local alliances, is able to maintain a balance between "capitulationist" and "rejectionist" Arab states which Sadat cannot. The Egyptian President's unilateral action and the subsequent failure of Syria to build a moderate opposition front with Saudi and Jordanian participation has forced Assad to lean in the direction of the rejectionist camp, minus Iraq. As long as Assad can maintain this balance, a comprehensive peace fits neatly into his long-term plan for a confederation with Lebanon, Jordan, and possibly the West Bank and Gaza. A Syrian-led drive for such a peace settlement, which would include the establishment of a Palestinian "entity" in the West Bank and Gaza, would give Assad greater leverage with the PLO. Besides the obvious economic benefits that would accrue to Syria from an organized "Greater Syria" confederation, the Assad regime's enlarged power in the region would enable it to better resist Iraqi and Egyptian interference in Syrian political life. It would also lessen Syria's humiliating dependence on Saudi Arabian financial assistance.

The Assad regime, unlike Sadat, still maintains a balance between the US and the Soviet Union. As long as Assad can strike this balance, which is now conveniently tilted in the direction of the US, the Carter administration will keep its interest in a comprehensive peace. Assad's understanding of US domestic pressures on US-Israeli relations and his appraisal of Soviet strategy in the region can be questioned. But given the nature of the internal political and economic pressures he faces, his somewhat uncomfortable "rejectionist" posture, and his definition of Syria's regional ambitions, Assad must stick to his balancing act in order to reach a comprehensive peace.

Assad's ability to hold out for a comprehensive peace depends on the outcome of the Egyptian-Israeli negotiations. As long as there is diplomatic deadlock Assad will not be pressured to make any major concessions. In a situation of deadlock, Saudi Arabia is not willing to apply the requisite pressure on Assad to join negotiations on Israeli terms. The Saudis, who also prefer a unified Arab front, are not prepared to openly side with Sadat until he has achieved clear progress in his negotiations. However, if a desperate Sadat, in search of a diplomatic breakthrough, opts for a separate peace, the US would be obliged to approve such a settlement. Then the heaviest pressure will be brought to bear on Assad to follow suit. Saudi Arabia would probably fully support Sadat and step up its financial blackmail of Syria, whose economy has been facing severe financial difficulties since the boom period of 1974-75. The Jordanian monarchy, taking the hint from the US and Egypt, might deal directly with Israel, whose own diplomatic position in the region would then be overbearing. Syria would be left with its weak and politically divided dependency, Lebanon, and with the PLO to resist a final US-Israeli imposed settlement. Assad's strategy in such a situation cannot be predicted.

*A coalition of the Ba'ath Party, the Communist Party, the Arab Socialist Union, the Union Socialist Movement, and the Arab Socialist Movement, which was created in March 1972 to broaden Assad's political base.

Palestinians Discuss Sadat's Moves

The Committee of Palestinians in New England (COPINE) is a broad coalition of Palestinians who consider the Palestine Liberation Organization the sole legitimate representative of the Palestinian people. COPINE is active in the New England area in speaking, distributing literature, and working with local groups. For information, write COPINE, P.O. Box 386, Cambridge, MA 02138. This round table discussion was conducted by the MERIP New England staff, with four designated members of COPINE, on January 19, 1978.

Q: Why do you think Sadat decided to go to Israel at this time?

Ghassan: I think the major issue was the stalemate that resulted from the previous negotiations, maneuvers, and tactics of Vance, Begin and Sadat. The other important factor is the state of the Egyptian economy. Sadat wanted to smooth over his disagreement with Israel in order to get more American aid and set up Egypt as a middleman between Israel and the Arab world.

Said: The stalemate is the state of no peace-no war, similar to the situation right before the 1973 war. The American-Israeli working paper sided with Israel and put the Arabs on the defensive. In 1973 Sadat chose the war option. But this time he couldn't go to war because the Egyptian army didn't have the necessary arms. The Americans and the Israelis are in the Sinai; the newly-rebuilt Suez cities are within the range of Israeli artillery. The war option would have been very costly for Egypt. And Sadat thinks that "99 percent of the cards are in American hands," so he wanted to aim his move at the American public.

Nadia: Sadat had for some time waged a propaganda campaign within Egypt. Egypt's economic hardships were associated with military burdens, with the patriotic role Egypt was playing in the Arab-Israeli struggle, and not with the kind of economic development Egypt was undergoing. Sadat argued that Egypt could recover economically only if a state of peace existed. Assad and Hussein do not face the same internal economic pressures.

In addition, it was imperative for Sadat to move quickly

to eliminate the role of the Soviet Union. The USSR has supported the right of the Palestinians to self-determination and the establishment of a state.

Q: Did Sadat want the issue of a Palestinian state raised at Geneva?

Nadia: No. Sadat is willing to settle for almost anything given the internal pressures building against his regime. He is like someone confined in a narrow corridor; all he can do is walk to the end. He has disarmed his army, brought certain people back to power, and cut his ties with the USSR. He can't put conditions on the US nor on Israel. He can only make more and more concessions.

Q: Could we look for a moment at the Sadat visit in a regional context? How would you assess the reactions and roles of the other countries in the area?

Said: Sadat chose a good moment within the Arab context. Syria was involved in the Lebanese conflict; the Palestinians were besieged by Syria, Israel and the Lebanese right; the Jordanian position is well known; Iraq and Syria could not resolve their differences and make any serious alliance. So Sadat could count on not having much serious opposition in the Arab world.

Syria's reaction was not unanticipated. Assad has a certain range. On the one hand, he couldn't go to Israel as Sadat did. Yet he couldn't reject UN Resolution 242 or any peace negotiations at this time, because to do so he would have to be ready to go to war. He's not ready.

Hussein is willing to take over the West Bank, or divide it up. If any serious offer is made, he'll take it. The Saudis, at heart and materially, support Sadat but they don't want to say so publicly, because they want the role of "big brother" in the Arab world. They want to be the intermediary, to continue to play the role they played in the Lebanese conflict.

Ghassan: Assad is putting on a show: he is ready to compromise and move to the negotiation table. The post-October War rivalry between Egypt and Syria still exists over who will determine the outcome of negotiations and the kind of Israeli concessions. Now, as then, Syria wants to prevent Egypt from



Arafat, Qaddafi, Hawatmeh and Habash at the Tripoli conference

moving towards any kind of separate settlement. In this context, Syria's condemnation of Sadat is a tactical difference, nothing more.

Hamid: Sadat couldn't have taken that step without the support of Saudi Arabia, at least the financial support. But the Saudis couldn't give public support because of the opposition to the visit on the part of the Arab masses, and because some of the Arab countries were against the visit, and said so clearly and strongly.

I think the Jordanian government was very sympathetic to the Sadat visit, but couldn't say so for three reasons. First, the public opinion of the people in Jordan. Second, the dangerous speed with which Sadat proceeded. Hussein's only point of disagreement with Sadat is that Sadat didn't discuss the move in advance with Hussein and Saudi Arabia. Also, if there had been public Saudi support, I'm sure Jordan would have participated in the Cairo meeting.

Syria wants to resolve two basic issues: the withdrawal from the territories occupied in 1967, and Palestinian rights in the West Bank and Gaza Strip. I don't think they're completely opposed to Sadat's moves. But at the moment Assad cannot join Sadat for several reasons: first, they still depend on Soviet support; second, public opinion in Syria is strongly against an American-style settlement. There are nationalist currents that oppose moving too fast after Sadat. Sadat can act independently, but Assad must remember that not everyone within the Ba'ath Party agrees with him.

Nadia: There is another internal difference, the strength of the national wing of the Syrian bourgeoisie. The kind of economic agreements Israel wants at this juncture, with Israeli technology, Egyptian labor and Gulf capital, would not benefit the Syrian bourgeoisie. The Syrian interests are thus different from those of Egypt in reaching a settlement with Israel. The Syrians have also known for a long time that there

is a difference between the Sinai and Golan. They have therefore tried to strengthen their position in the area, to gain hegemony in the region through the takeover in Lebanon and their attempt to control the Palestinian resistance movement.

Saudi Arabia and the US don't want Sadat to go too far without the other parts of the chain moving with him. They want him to be a pioneer, to break new ground, to create new realities. But they want the others to follow: this explains the Saudi pressure on Syria. Saudi Arabia is a police dog in the area.

Q: Do you think the Tripoli Conference had any substantive results?

Ghassan: No. There were no solid strategies developed. Iraq and Syria were the most important parties. Iraq, though, came with its own agenda and wanted to condemn the Syrian government, but didn't really want to be involved in a front against Sadat. Libya is important in terms of financial and military support only. Like Iraq, Libya maintained a rhetorically radical position in order to eliminate itself. Algeria has the problem of Morocco on its eastern front, so they say they can't do anything.

Hamid: I think the conference did have substantive results. After four years of indifference among the Palestinian organizations, they finally came to an agreement on the Six Point Program. Second, the PLO has now clearly refused a settlement based on UN Resolution 242.

Nadia: The PLO never accepted Resolution 242. The Tripoli Conference clarified the position of the US and the reactionary Arab governments: they are opposed to the national rights of the Palestinians. The conference achieved unity among the Palestinian factions with the return of the Popular Front to the PLO. This unity among the Palestinian ranks is a major step forward.

Saudi Arabia is ready to undertake military action against

any state which adopts a confrontation policy. Libya could help remove Saudi pressure on Syria. Saudi Arabia had been financing Syria; Libya could provide this support without putting the same kind of pressure on Syria.

Said: To balance the weight of Egypt, you need a united "eastern front" with Jordan, the PLO, Syria and Iraq. As long as you don't have this alliance, you can't challenge Sadat seriously. The conference could not construct this alliance.

Q: *How has the Sadat trip affected the Palestinian people, the Resistance, and the development of strategy?*

Nadia: It makes it very necessary for the Palestinian people to hold fast to their program of establishing an independent Palestinian state and assert their right to self-determination. The events in the area have made it clear that this program protects the Palestinian movement, and that the Arab states which support it must support it all the way. It has pulled the rug out from under Palestinian right-wingers who were willing to accept a settlement according to the American conditions. It brings into focus the necessity for an alliance between the Palestinian movement and the progressive Arab movements: not just an alliance of slogans, declarations and communiques as before, but an alliance in reality. Finally, it underlines the importance of the south of Lebanon. If any attack is made on the Palestinian movement, it will come through the south of Lebanon. It is of immediate importance to rally against the rightists there who are in alliance with Israel.

Said: Sadat's recognition of Israel is a very dangerous precedent. Sadat tried to find alternative leadership to the PLO on the West Bank and Gaza, but he only came up with a few people who have no real influence or popular support. Actually, the very people he was counting on told him that the PLO is our representative. In his speech in Jerusalem Sadat forgot completely about the PLO and his recognition of it as the sole legitimate representative of the Palestinian people. Sadat is clearly willing to bypass the PLO if it presents an obstacle to making a deal with Israel. We as Palestinians, must continue to win popular support and recognition for the PLO.

Ghassan: One of the reasons Sadat could take this step is that there was no radical solution as of yet. The PLO must now reassess its strategy. We should concentrate on the politicization and mobilization of people. We must take the initiative ourselves and not follow the lead of Syria. We must be independent—the PLO has been associated too closely with Arab regimes.

Hamid: Following the October War there were two lines within the Palestinian movement. One rejects a settlement because the only settlement is an imperialist one. If Israel withdraws from the West Bank and Gaza, and "gives" us a state, it will be a reactionary state. The other line (PLO leadership) was trying to play a role within the framework of a Geneva conference. Sadat's trip took the PLO out of that kind of settlement.

Said: A front that can pose a serious challenge to the Israeli occupation requires a great deal of work. It is essential that the Palestinian organizations close their ranks within the PLO. Material support must be extended to the occupied territories to help the population continue resistance and to counter the attempt by the US, Jordan and Israel to create an alternative Palestinian leadership there.

Syria must cut its ties with the rightists in Lebanon, release Lebanese and Palestinian political prisoners, free the hands of the Palestine Liberation Army, and reopen the refugee camps

to the PLO for training and mobilization. Needless to say, Syria must be prepared for a long term confrontation with Israel.

Iraq, by joining with the PLO and Syria, could alter the equation of forces in the region. Algeria, in order not to find itself the next target, has to play a more active role than it has done so far. We must find ways to give support to the progressive forces in Egypt who oppose the Sadat regime and its latest moves.

Q: *What is the reaction to Sadat's Jerusalem visit among Palestinians, both the PLO and the population of the West Bank/Gaza?*

Hamid: I was in Jordan during Sadat's trip and met with many West Bankers. I couldn't find anyone who supported the visit.

Nadia: The PLO has come out publicly against Sadat. It has condemned him and his maneuvers, and it took part in the Tripoli Conference. This is the position of the PLO. There may be some elements within the PLO who might still want to carry on negotiations with Sadat, but that is not the official majority position of the PLO.

Q: *Could you discuss Begin's and Sadat's ideas on a settlement? Does either of them serve as the base for real discussion?*

Said: The Begin plan is basically no plan at all in the sense that it just legitimates the annexation of the occupied territories. He wants to keep Israeli sovereignty over the West Bank and Israeli troops in the West Bank. He wants to give the Palestinians what he calls "self rule," meaning that the Palestinians may choose between Israeli and Jordanian citizenship. He wants to erase the words "Palestine" and "Palestinian." Even Sadat could not deal with this plan, let alone anyone on the Palestinian side. As for Sinai, Begin actually hardened his position after Sadat withdrew his delegation. Sadat and Begin have ignored the main issue in any lasting solution—the West Bank and Gaza—and instead focus on the settlements in the Sinai. We have heard nothing about the Golan Heights; apparently nothing is being offered to the Syrians. I don't think Begin will change his position very much because he has based his popular support on it.

Sadat does not have a plan as such. He is willing to go along, making one concession after another. Now he talks about agreeing to self-determination for the West Bank, but linked to Jordan. Palestinians don't want to be linked with Jordan, so that is not self-determination.

Q: *Some left Zionists in the US have viewed the Sadat trip as a tremendous psychological breakthrough, and, as such, see it as an important first step on the road to an inevitable settlement. What do you think of this analysis?*

Nadia: It depends on how you perceive the issues in the Middle East. Are they psychological issues? Palestinian land has been colonized and occupied and the Palestinian people have been robbed of their national identity. The real issues are the national identity of the Palestinian people, the role of US imperialism in a context of capitalist development of the Middle East as a whole, and the theft of the national wealth which should go to development. There is no psychological hangup between a Palestinian and a Jew, but there are political differences between a Palestinian and a Zionist. These differences must be dealt with and eradicated in order to progress forward.

Said: Left Zionists, such as those in Breira, would never say that the conflict in South Africa or the conflict in the US between blacks and whites is a psychological conflict.



Demonstrators in Tel Aviv demanding a "realistic wage and 100% cost-of-living increase"

LOST IN THE SADAT FANFARE: **Likud's New Economic Policy**

BY JOEL BEININ

The theatrical fanfare surrounding Egyptian President Sadat's visit to Jerusalem and the ensuing diplomatic maneuvering have drawn attention away from the New Economic Policy (NEP) announced by Israel's Likud government on October 28, 1977. Many of the commentators described the NEP as a 'transition from socialism to capitalism.' They compared the policies of the governments led by the 'socialist-Zionist' Labor Party and its precursor, Mapai, with the 'free market' ideology of Prime Minister Begin's Likud. While the NEP does represent a significant departure from economic policies which have been in effect since the British mandate, this characterization could not be further from the truth. Avraham Shavit, President of the Israeli Manufacturers' Association, emphasized in a recent interview, "Now, I want this to be clearly understood: private enterprise developed quite well under the former regime."¹ Meir Merhav, economic editor of the *Jerusalem Post* concurred, "The system that emerged in Israel's 29 years may indeed have been—and still be—paternalistic and bureaucratized to the point of ossification, but it has never been anything but a capitalist system."² What, then, is the nature of the change that the Likud has instituted?

When the State of Israel was established in 1948 it was immediately faced with the need to feed, house, and employ the tremendous influx of immigrants encouraged to settle in the country. The Jewish economy of Palestine was not a very firm base on which to build. The industrial sector in particular

was relatively weak. Rather than rely on domestic savings to provide the necessary capital for economic growth, the Mapai government opted for a policy of large scale imports of capital from abroad. As far back as 1949 *The Israel Economist* wrote of the government's eagerness to establish "an economic system that will be positively attracting to Jewish capitalists abroad."³

Of the more than \$6 billion in capital imported into Israel from 1948 to 1965, over \$4 billion was in the form of unilateral capital transfers not subject to the payment of interest or criteria of profitability.⁴ These unilateral transfers consisted of donations to the United Jewish Appeal and other Zionist fundraising bodies, reparations to the victims of Nazi war crimes from the West German government, and grants from the United States. During this same period the rate of investment (a key factor in the rate of economic growth) was about 20 percent of the GNP. Since the average rate of domestic saving of the Israeli economy was about zero, this investment was financed almost exclusively by imported capital.⁵ Following the 1967 war this dependence on foreign capital has increased dramatically. In 1970 alone Israel received \$500 million in direct military aid from the United States, while United Jewish Appeal fundraisers set themselves a goal of \$1,000 million from world Jewry for 1971.⁶ After the 1973 war, capital imports into Israel took another qualitative leap. United States aid to Israel during 1973-76 totaled \$7,075

million⁷ and donations to Zionist fundraising institutions also increased. During 1978 Israel is expected to receive \$1,785 million in military and economic aid from the US.

The Mapai-Labor bureaucracy in the government, the Jewish Agency, and the Histadrut (Israel's trade union organization) were the recipients and managers of a large part of this capital inflow. This "public sector" became a major component of the Israeli economy and it was managed in a thoroughly capitalist manner by the 'socialist-Zionists.' Despite their verbal endorsement of socialism, the Mapai-Labor governments set out to strengthen the native Israeli-Jewish capitalist class, convinced that this was necessary for Israel's economic and political survival.

Several measures were adopted to encourage private capital investment: the 1959 Law for the Encouragement of Capital Investments; the sale of the government's share of profitable enterprises (such as the Port of Haifa); and the convening of several "millionaire's conferences" starting in 1967. A system of export incentives was established in order to overcome the large and growing balance of payments deficit. The government provided cheap investment credit and a premium exchange rate for dollars earned through export. For example, if the official exchange rate was IL 3 = \$1, a shirt sold in the US for \$15 would bring the manufacturer not IL 45, but IL 55 when he turned his dollars over to the government. In this manner a notoriously inefficient textile industry (and some others) was built up by public financing, while private capitalists reaped huge profits unrealizable on a competitive basis. Avraham Shavit aptly characterized the effect of Labor's economic policy on Israeli capitalists when he said, "After all, we were born and raised for many decades in an economic hothouse."⁸

Despite all these measures, the Israeli economy continued to manifest chronic problems: constant inflation; a steady decline in the exchange rate of the Israeli pound; a rising cost of living; and a heavy tax burden.⁹ Substantial imports of consumer goods (for those wealthy enough to afford them) and large military expenditures fed a growing deficit in the balance of payments. The industrial sector of the economy remained weak, while services contributed to an inordinately large share of the GNP.¹⁰ Moreover, the Labor Party produced such a tangled morass of regulations governing the economy that it became very difficult for private investors to establish an enterprise without official "protection."

Israeli workers have waged a fierce economic struggle in the face of the growing strength of the Israeli bourgeoisie under the protection of 'socialist-Zionism.' But this struggle has always been limited by a failure to perceive the organic link between Zionism and Israeli capitalism. The policy of the Histadrut, and of 'socialist-Zionism' in general, has always been to subordinate the interests of the working class to the national (i.e., bourgeois) interest.* As Gideon Ben-Israel, a high-ranking Labor leader in the Histadrut, recently said, "The Histadrut is not a trade union in the usual sense which ignores the problems of the State as a whole; the good of the State is ever on our minds."¹¹

Despite the betrayals of the Histadrut leadership, Israeli workers have managed to maintain many of the economic benefits won in the course of struggles going as far back as the

Mandate period. The seniority system remains strong and work rules are strictly enforced. Cost-of-living payments totaling 70 percent of the rate of inflation are added to regular wages and revised twice yearly. The Labor governments kept prices down by subsidizing a wide range of basic goods including bread, eggs, chicken, milk, and kerosene (for heating). The Histadrut also maintains certain institutions set up during the Mandate period when Jewish capital was weak, including a comprehensive medical insurance system (Kupat Holim) and a pension system. While they offer important benefits to members, they also contribute significantly to the economic and political power of the Histadrut bureaucracy.

The Labor Party did not dare to openly attack any of these practices or institutions, although it did not refrain from generally lowering the standard of living of the Israeli working class through periodic devaluations of the pound.* It imposed an enormous tax burden to pay for military expenditures, and to build up the profits of private capitalists. While continuing to claim that it spoke for the workers, the Labor Party was openly aligning with the Israeli bourgeoisie. In order to maintain its popular base in the working class, however, Labor did place certain restrictions which had the effect of limiting the range of private capital, maintaining the position of the "public sector" bureaucracy, and incidentally providing some economic protection for the majority of Israel's wage earners.[†]

The contradictions in the Israeli economy were papered over by a patchwork of measures which, while they favored the capitalist class in general, were a far cry from total capitalist rationalization of the economy. This situation was inherently unstable. Finally, under the pressure of huge military expenditures following the 1973 war, it exploded.

The burden of military expenditure has always been a major factor in Israel's economic deformity. The military buildup for the 1956 Suez war resulted in a two year economic recession. During 1956-66 military expenditures were moderately high, reaching 10 percent of the GNP and 25 percent of the state budget in 1966.¹² By 1970 military expenditure reached 24 percent of the GNP, twice the ratio for the United States during 1966 at the beginning of the escalation of the Viet Nam war.¹³ In 1977 military expenditures amounted to 30 percent of the GNP and 38 percent of the state budget.¹⁴ The high cost of armaments steadily exacerbated the balance of payments deficit. Large amounts of capital investment were tied up in new arms factories which could not be used efficiently since even the extensive demands of the Israeli military could not absorb their full capacity.¹⁵

The economic impact of the 1973 war created a crisis of unprecedented proportions in Israel. Finance Minister Simha Ehrlich explained that the NEP was adopted because the Israeli economy had been stagnating for three years.¹⁶ According to official Treasury figures the GNP increased only 0.9 percent in 1976 and 1.7 percent in 1977. Unemployment was 3.3 percent in 1976 and 3.6 percent in 1977, which is

*Devaluing the pound results in a rise in the price of imported goods and any goods and services with an imported component. Since the Israeli economy relies heavily on imports, the entire price structure is affected.

†This discussion of the Histadrut does not attempt to deal with the role of the Palestinians in the Israeli labor movement. Arabs were not even permitted to join the Histadrut until 1965. There has been a tendency for Palestinians (within the 1948 borders) to become integrated into Israel's working class. They are subject to many of the same conditions as Jewish workers, but there is still little evidence of bi-national solidarity among Jewish and Palestinian workers.

*For an analysis of the contradictions of 'socialist-Zionism' see *MERIP Reports* nos. 49 and 55. For an analysis of the role of the Histadrut see "The Histadrut: Union and Boss" in *The Other Israel* (ed., Arie Bober, Doubleday, 1972.)

relatively high for Israel.¹⁷ The annual rate of inflation has been 30-40 percent since the 1973 war.

These conditions resulted in a sharp decline in the standard of living of the majority of Israelis. Wildcat strikes were the main expression of working class resistance to the economic situation; but without progressive political leadership much of the poor and working class turned to Begin and the Likud in the May 1977 parliamentary elections because they represented a definite change if nothing else.

The Likud lost no time in inviting the reactionary American economist Milton Friedman to become an economic advisor to the Israeli government. Friedman previously served as an advisor to the Nixon administration and to the fascist government of Chile. While participating in an Israel Bonds meeting in Atlanta last fall, Simha Ehrlich asserted that the economic goals of the Likud were to "abolish as far as possible all restrictions and controls on the economy" and "to adapt our economic structure to the pattern of the American economy in keeping with the special circumstances prevailing in Israel."¹⁸

On July 17, 1977 the government announced its first economic decisions. The budget was cut \$220 million (creating even more unemployment); the pound was devalued 2 percent (resulting in higher prices); interest rates were raised 2 percent; and subsidies on basic goods and services were reduced by 25 percent. None of these measures represented a significant departure from the policy of the previous government. According to Don Patinkin, Professor of Economics at the Hebrew University, a Labor government would have had to institute the same measures after the elections.¹⁹

The 25 percent cut in the subsidies was particularly harsh. The Histadrut called one hour work stoppages against these cuts, but many workers were suspicious of the motives of the Histadrut leadership.* After all, the Histadrut had never seriously struggled against government economic policy when Labor was in power. Despite the widespread vocal opposition to the large price hikes caused by the subsidy cuts, no sustained struggle developed.

The Likud also presided over the first steps in the elimination of tariffs between Israel and the European Common Market.† The tariff reductions began on July 1, 1977 and will be completely eliminated by 1981. In the process as much as 27 percent of Israeli industry which is not now competitive with Common Market industry (because of "hot house capitalism") will need to be "restructured," precipitating an additional 5 percent unemployment.²⁰

The main beneficiaries of this agreement will be those with new capital to invest in competitive industries—notably high technology industries with a large research and development component like electronics, medical equipment, and pharmaceuticals. (Engineers' and technicians' salaries are low in Israel.) These products will have duty-free entry to the Common Market. Since Israel is eligible for the United States' Generalized System of Preferences, over 2,700 items can now be exported duty-free from Israel to the United States. Among those expected to take advantage of these new opportunities are US corporations like Miles Laboratories, Teledyne, and Motorola which already have investments in Israel. While some capitalists will experience difficulties, such as those in the

textile and chemical industries, the working class—Jews and Palestinian Arabs—will bear the burden of the "restructuring" through increased unemployment, layoffs, speed ups, productivity drives, and other "rationalizing" measures.

The New Economic Policy sent a shock wave throughout the country because it was immediately clear that it would be a tremendous blow to the standard of living of the majority of Israelis. The keystone of the NEP is to make the Israeli pound freely convertible to any foreign currency on the basis of its market value. The government would no longer set the exchange rate for the pound. All controls on foreign currency were abolished and Israelis are now permitted to hold up to \$3,000 in foreign currency in accounts abroad. These actions resulted in an immediate 44 percent devaluation of the pound from IL 10.36=\$1 to IL 15.00=\$1. Owners of legal and illegal dollars inside and outside Israel automatically became 44 percent richer in terms of pounds.

Other aspects of the NEP include the elimination of the 15 percent "defense" duty on imports, the elimination of export incentives, cutting *ad valorem* customs duties 20 percent, raising specific customs duties 25 percent, and raising the value added tax on all goods from 8 percent to 12 percent. Several other minor measures were also taken. The government's motivation for instituting these measures was clearly stated by Finance Minister Ehrlich in a televised press conference: "I have no doubt that following the steps we have taken, appreciable investments from abroad will accumulate. Israel is to become a financial center in this part of the world, particularly for the Jewish people."²¹

Despite the elimination of export incentives, export enterprises will generally benefit from the NEP. Floating the pound means that the dollar cost of Israeli labor will be very low, thus reducing the final dollar price of exported products. In the diamond cutting industry, one of Israel's main export industries, the reduced wage bill will more than balance the increased cost (in pounds) for rough diamonds purchased from South Africa.²² The food, leather, metals, and electronics industries are expected to benefit the most from the NEP. The Treasury's economic forecast for 1978 predicted an 18 percent increase in exports.²³

Some industries will suffer as a result of the NEP and the government does not plan to aid factories which will be forced to lay off workers or shut down entirely. Plastics, rubber, chemicals, and textiles are expected to be hardest hit by the loss of export incentives. Many of the plants which will be affected are located in development towns where they are the major source of employment. Shutdowns will therefore lead to widespread pockets of local unemployment with no alternative work available.²⁴

The NEP was a catalyst for additional proposals designed to further strengthen the hand of Israel's capitalist class and reduce the economic and political power of the working class. Minister of Social Affairs Yisrael Katz suggested that more workers be made to live in rental housing (as opposed to the current custom of owning one's own flat) in order to make the work force more mobile.²⁵ Manufacturers' Association President Shavit has been suggesting that all laws which decrease productivity be eliminated and that pay be linked to output.²⁶ This would mean dismantling the seniority system and existing work rules, and instituting piece rates and different pay scales for the same job. The government has announced that it expects to divest its shares in 60 corporations.²⁷ Once again private capital will reap the benefits of publicly financed

*The Labor Party remained the largest party in the Histadrut elections in June.

†See MERIP Reports no. 38.

PRESSURES ON BEGIN FROM THE RIGHT

The very vocal opposition of Jewish settlers to Begin's "concessions" is largely media manipulation. There are only a small number of settlers in the occupied territories—under 10,000. They are politically and economically dependent on the government and they have no real independent power base. While the occupied territories are important economically, the Israeli bourgeoisie realizes that the Jewish settlements there are an economic burden. The settlers' greatest strength lies in their ability to play upon people's emotions and thereby to buttress Israeli national chauvinism. However, if it became clear to the Israeli masses that it was a question of peace or settlements, the majority would give up the settlements. But who keeps this question from becoming clear? Mr. Begin, the chauvinistic demagogue, because he does not want to concede anything too easily, so that he can look very "bold" if and when he makes "concessions."

Begin has been harshly criticized by rightist groups for being soft on the question of territory and settlements. Begin's own Herut Party within Likud is organizing among settlers on the West Bank to make political capital on the issue, and has openly attacked him for recognizing that there may be claims other than the Israeli one to sovereignty over the West Bank. Begin has used the pressure from this religio-ideological right to mask the fact that he hasn't made any concessions. He not only tells Sadat and Carter that his people accuse him of "selling out"; he misleads Israelis by suggesting that the split within Israel over the question of territory and settlements is not easily solved, but that he is doing his utmost to find a solution. Begin tells his old friends in Herut that he is sorry to see them taking issue with him, but that they must understand that he is no longer simply their leader; he is now the leader of a nation. He has been able to win broad support among the center and liberal-left who think that he is moving away from his previously narrow view and is thus beginning to assume the qualities of a statesman.

—Joel Beinin

investments.

The impact of the NEP on the masses of the Israeli people will be enormous. In September, 1977 an average family spent IL 7,535 per month for food, utilities, shelter, travel, and other basic necessities. By January 1978 this figure will have risen to at least IL 8,500. This represents a cut in purchasing power of IL 1,000 per month or 12 percent.²⁸ Official estimates said that inflation during 1978 will continue at about 35 percent²⁹ and independent analysts put the figure as high as 45 percent.³⁰ Meir Merhav aptly characterized the impact of the NEP on the majority of Israelis: "The new economic freedoms now held out to us as the glittering prize of the new liberal era are largely irrelevant for the majority whose shrunken paychecks will soon disclose to them that they have become less free than before . . . the price for that transition will be wholly borne by the working people for whom the freedom to buy \$3,000 and put them in a foreign bank has little meaning since few of them have ever seen the IL 45,000 needed to buy them."³¹

In addition to constituting a massive attack on the majority of the Israeli people, the NEP is also a major blow to the economic and political power of the Histadrut. For this reason the Histadrut's Labor Party leadership was able to unite with rank and file workers in a widespread campaign of struggle against the NEP. One day strikes were held throughout the country affecting all the major industries and services. The main demand of this campaign was that a cost of living allowance covering the entire price increase caused by the NEP be granted in November instead of the normal 70 percent cost of living allowance payable in January. On November 3, a demonstration of 30,000 workers was held in Tel-Aviv. A Histadrut leader's speech at this rally was criticized by Begin for its "semi-Bolshevik tones."³² While there is certainly no chance that the Labor party will lead a revolution against Begin's government, the unity and militancy of the demonstration was a marked departure from anything the Histadrut had done in many years. On November 6, rank and file workers played an important role in one of Jerusalem's largest and most militant demonstrations held in front of Begin's office.

At the Histadrut Convention which opened on November 7, the antagonism between the Likud and the Labor Party majority was quite evident. Shortly after this, the news of Sadat's impending visit to Jerusalem pushed economic issues into the background; however, struggle around these questions is likely to resume after the numbness caused by the Egyptian-Israeli talks wears off.

The Likud has also created a serious problem for itself in the electoral arena. Many of those who voted for the Likud will be among those most adversely affected by the NEP, including a sizeable number of workers, Sephardic Jews, and members of the lower petty-bourgeoisie. The role of the Histadrut in opposing the NEP has two sides. The Labor leadership of the Histadrut has become more militant since it is in opposition to the government. But, as its history up to May 1977 amply illustrates, the Labor Party is fundamentally incapable of leading the Israeli working class in the defense of its interests. The Zionist character of the Histadrut is also a major obstacle to its becoming an effective weapon in the hands of all workers in Israel—Jews and Arabs. The following incident reported at the Jerusalem demonstration illustrates why.

When some of the youths began chanting 'Down with Begin! Down with Begin!' one union official was heard remarking: 'That slogan is good except for the fact that some of the Arabs out here hear it and they too may begin shouting the same thing . . .'³³

Until the Jewish workers of Israel understand that they and the Palestinians have a common enemy, their ability to conduct an economic struggle will be impaired. Palestinian Arabs living inside Israel are becoming a part of one working class with Israeli Jews; there is an objective basis for unity in struggle. But these Palestinians also have national aspirations, and unless Jewish workers are prepared to recognize and support them no unity will be possible. Begin will always be able to cripple any economic or political struggle by saying that a strike or demonstration weakens Israel's defenses and exposes it to a military threat. This tactic has succeeded in keeping the



Yamit, Israeli settlement in the Sinai

vast majority of Israel's Jews under the hegemony of Zionism. In the final analysis the ability of the Israeli working class to resist the NEP and similar Likud measures depends on the ability to establish Jewish-Arab unity in the face of the common enemy.

Despite the sharp class struggle over economic issues just before Sadat's visit to Jerusalem, there remains a broad national consensus in Israel when it comes to the Arab-Israeli conflict. The Israeli working class does not have a party which can provide it with political leadership in fighting for its independent class interests. This means that it is a politically weak and divided working class which is left to tail after one or another bourgeois political party. Rakah and the Democratic Front for Peace and Equality have become the major force among Israel's Palestinian minority on the basis of a nationalist-democratic line, but they have not established a base among Jewish workers.

The Israeli bourgeoisie would like to have peace. But even Sadat's capitulationist terms are not acceptable because the most minimal acceptance of the legitimacy of Palestinian national demands undermines the whole Zionist structure. The NEP is a call to the Israeli bourgeoisie to strengthen itself politically and economically, to break through Labor Party-imposed restraints, and to become a financial and export factor of international dimensions. The natural partner for this economic program is the blatant national chauvinism and arrogance which Begin exemplifies. But one should not be deceived into believing that the Labor Party would have adopted a substantially different stand towards the Sadat initiative. The center piece in the conflict has always been Zionism vs. Palestinian nationalism, and on this issue the Israeli bourgeoisie is united.

At this point it is possible to draw only tentative conclusions about the long term impact and significance of the NEP. The economic investments Likud is seeking to attract will only materialize if reasonable stability can be guaranteed in the Middle East. No investor will be prepared to risk a substantial amount of capital if it is in danger of being blown up in the next war. The ability of Sadat and Begin to agree on a "peace plan" which effectively eliminates the PLO as a force

in the Middle East may turn out to be the key factor in the future of Israel's NEP. It is also important to remember that the entire capitalist world remains in the midst of an economic crisis in which a shortage of capital is one of the major elements. It is difficult to understand why Friedman, Begin, Ehrlich, and company expect Israeli capitalism to flourish while the rest of the capitalist world does not.

¹ *Journal of Commerce*, Oct. 11, 1977, section 2, p. 1.

² *Jerusalem Post*, Oct. 31, 1977.

³ *Israel Economist*, July 1949, p. 149, quoted in Galina Nikitina, *The State of Israel; a historical, economic and political study*, Moscow: Progress, 1973.

⁴ Nadav Halevi and Ruth Klinov-Malul, *The Economic Development of Israel*, N.Y.: Praeger, 1968.

⁵ *Ibid.*, p. 96.

⁶ *The Other Israel*, Arie Bober, ed. New York: Doubleday, 1972, p. 96.

⁷ Amnon Kapeliouk, *Le Monde Diplomatique*, January, 1977, p. 4.

⁸ *Journal of Commerce*, Nov. 8, 1977, p. 1.

⁹ Nikitina, p. 216.

¹⁰ Halevi and Klinov-Malul, p. 4.

¹¹ *Journal of Commerce*, Oct. 11, 1977, section 2, p. 6.

¹² Kapeliouk, p. 4.

¹³ *The Other Israel*, p. 95.

¹⁴ Kapeliouk, p. 4.

¹⁵ *Business Week*, Nov. 7, 1977.

¹⁶ *Jerusalem Post*, Nov. 10, 1977.

¹⁷ *Ibid.*, Nov. 14, 1977.

¹⁸ *Jewish Telegraphic Agency Daily News Bulletin*, Sept. 9, 1977.

¹⁹ *Jerusalem Post International Edition*, July 19, 1977.

²⁰ *Business Week*, July 11, 1977, pp. 42-43.

²¹ BBC Foreign Broadcast Service, Oct. 31, 1977, p. 3.

²² *Jerusalem Post*, Nov. 14, 1977.

²³ *Ibid.*

²⁴ *Ibid.*, Nov. 8, 1977.

²⁵ *Ibid.*, Nov. 14, 1977.

²⁶ *Jerusalem Post International Edition*, June 28, 1977.

²⁷ *Journal of Commerce*, Nov. 8, 1977.

²⁸ *J.T.A. Daily News Bulletin*, Oct. 31, 1977.

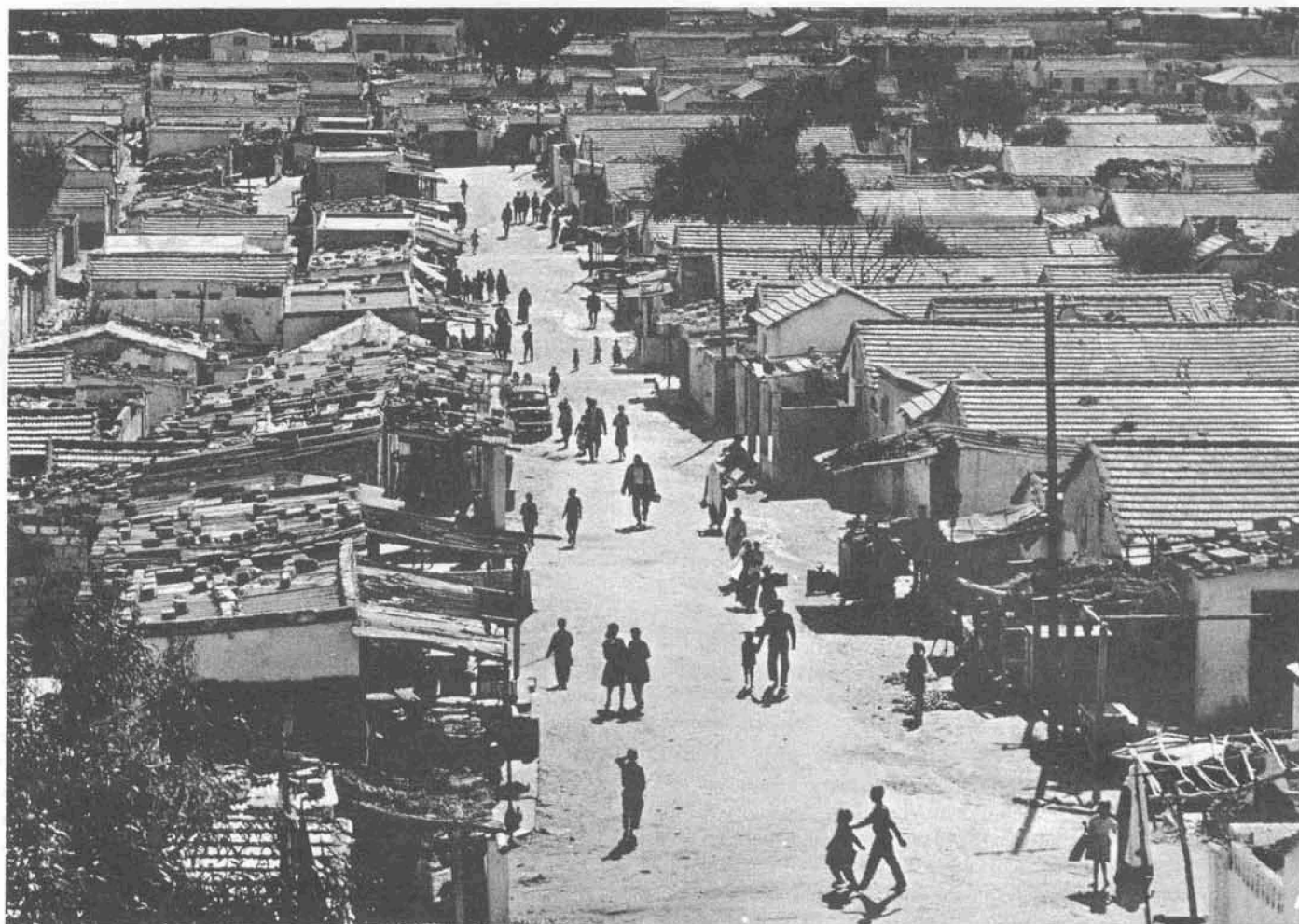
²⁹ *Jerusalem Post*, Nov. 14, 1977.

³⁰ *The Economist*, Nov. 5, 1977, p. 105.

³¹ *Jerusalem Post*, Oct. 31, 1977.

³² *Davar*, Nov. 3, 1977, p. 1; quoted in *Israleft* #116, Nov. 15, 1977, p. 3.

³³ *Jerusalem Post*, Nov. 7, 1977.



The "boulevards" of Gaza's Beach Camp

In the aftermath of the 1948 war, the Gaza district of Palestine came under Egyptian administration and its population of 80,000 swelled to about 300,000 with refugees from the rest of the territory conquered by the Zionists. The tiny strip, 25 miles long, 4-6 miles wide, now has a population of about 500,000, over 70 percent of whom are refugees. The United Nations Works and Relief Agency (UNWRA) came to the Strip to provide basic necessities, such as food, housing, education and health care for the refugee population which had no means of economic livelihood. Although the Egyptian government did not annex the Strip (unlike the Jordanian annexation of the West Bank), the Egyptian-appointed governors maintained tight control over the population. All political parties, clubs and newspapers were banned.

Political activity for the population of Gaza was legalized in the early 1960s, with the formation of the Palestine Liberation Organization. The Palestine Liberation Army, Fateh, and the Arab Nationalist Movement (forerunner of the PFLP) were active in political and armed mobilization of the population up to and during the 1967 war. After the Israeli occupation in 1967, these forces went underground and carried out attacks against the occupation forces. The Israeli military met this resistance with harsh repression. Armed resistance has now virtually ceased in Gaza, but Israeli repression continues with the systematic confiscation of land, destruction of homes and dispersal of the population.

Mary Khass is a Palestinian, born in Haifa, who works as a pre-school director in Gaza. The interview was conducted by MERIP in October 1977.

Q: Could you give us some background about the situation in Gaza? Eight years ago it was a center of Palestinian resistance to Israeli occupation, but the impression one gets from the Western media is that Gaza has been totally pacified and quiet in the past few years.

A: In 1969, '70 and '71 the resistance was quite strong in the camps in Gaza, so the Israelis decided to implement mass punishments, such as the demolition of houses. In the refugee camps the houses are very close to each other, so people can run away and hide without being found. The Israelis demolished houses in order to open up big roads. They called it "beautifying the camps." It is very strange to see small, low-ceilinged homes separated into squares by wide boulevards. Of course, when houses were demolished as mass punishment, no compensation and no alternative housing was offered to the people displaced. Some of the displaced moved to other camps in the south, but many built tin shacks on a nearby hill, which is now opposite the Israeli settlement of Netzarim.

Q: How many people were displaced in this process? A thousand?

A: Many more. I don't know the exact number—I have the statistics at home [in Gaza], but I was not allowed to bring

INTERVIEWS_____

INTERVIEW WITH MARY KHASS:

Gaza Under Occupation

out such things. There were many, especially in Beach camp, because resistance was very strong in Beach camp.

Q: The Israelis continue to move people out of the camps, and are now setting up new housing projects. Is this part of a new Israeli plan for population re-distribution?

A: The Israelis first decided to demolish the houses on the edge of Beach camp. They put red cross marks on the houses and told the people to leave. The people would receive IL 8,000 as compensation for their demolished house, and were 'given' new houses in a housing project for IL 35,000. One of the many secretaries of the Military Governor was in charge of the new housing project, and the people had to go and meet him. I know of many people who came back and said that when they told him "I don't have the money, where can I get it?" he answered "Am I your father, you silly fool? I don't know where you'll get it. Just get it! We are demolishing the house." By borrowing from friends and relatives and with the IL 8,000, some people managed to come up with half of the IL 35,000. The remainder will be paid in installments.

Q: Could you describe these housing projects?

A: The project is surrounded by high fences, with strong flood lights all around. A 'block' consists of 24 houses—there are now so many blocks in Sheikh Radwan project that you can't count them. The entrances to these blocks are very small and narrow. It is arranged in such a way that the Israelis could close the entire block within 15 minutes if necessary.

The houses are so small and poorly built that it's beyond

humanity. A two-room house—the kind which costs IL 35,000—consists of one room 4 x 4 meters, a second 3½ x 4 meters, and a so-called kitchen that is 1½ square meters. One could scarcely guess that it is supposed to be a kitchen: the only sign is a small pipe sticking out of the wall. Once I asked where was the sink, the water, and so on. I was told that the residents must supply the sink, the tap and all. Then they have to pay the municipality to connect water and electricity. Electricity now costs IL 2,200 and the cost is going up. All this is on top of the IL 35,000. In addition, they have to build fences between families. They are not allowed *not* to have fences. Suppose you and I are neighbors and we don't want a fence—maybe because we can't afford it, or because we like each other, or we are brothers—but we still have to build a fence, and that costs money. Also, the frames of the doors and windows are made of iron which is very bad in our country because we are near the sea and the iron rusts. In no time they have to remove the frames, which are built into the structure, thus ruining the building and they have to start all over, which they can't afford to do. It is a common sight in these new projects to see people painting these frames to keep them from rusting. This too costs money.

Q: In addition to the tremendous financial burden of paying for the house, how does moving into these new projects affect people's daily lives?

A: When a laborer and his family move into these housing projects, they lose the medical and food ration aid UNWRA provides in the refugee camps. UNWRA has a cut-off point where eligibility for aid stops—if you earn more than IL 750 [per month] then you don't qualify for medical or food ration relief. When these people have to relocate, and by some miracle—often by the wives, sisters and mothers selling their family gold pieces—they scrape together the required money to move into the new housing project, then they have "too much money" and their rations are stopped immediately. The logic is that if they can afford to buy a new house, then they don't need rations.

There is also a medical problem. UNWRA will not build clinics or provide medical aid in these new projects. UNWRA medical aid is very far away, the laborer may make "too much money." To make enough money to meet installment payments, people often have to work for the Israelis in the new housing projects and Sinai settlements. They are paid on a daily basis, but the Israelis automatically deduct an agreed-upon amount for the house payments and 4½ percent for medical aid. The laborer has no choice but to pay for Israeli medical aid, so he then goes to their clinics.

Q: Are there schools in the housing projects?

A: There are no schools. Children go to UNWRA schools, but now they must walk much farther.

Q: When you say that people have to buy water and electricity from the municipality of Gaza, does that mean they are becoming residents of Gaza?

A: Of course. That is the idea. This is the political issue behind moving people out of the camps into the new housing projects. It all leads in one direction: getting rid of the "refugee" problem.

Q: Are the Israelis still trying to force the population out of the Gaza Strip?

A: Not any more. They did at the beginning of the occupation—150,000 families were thrown out. World opinion prevents them from doing that again. But now they are inciting people to leave the country and giving them every cause to leave. For example, because of the economic situation in Israel, it is very

difficult to get a job and the cost of living is high and rising. Palestinian laborers are mostly "black labor," that's the translation of the Hebrew *po'ale schora*, referring to unskilled labor. For security reasons, among others, they do not get better work than "black labor." They work on a day-to-day basis, with no job security and no benefits. The number of new construction projects is decreasing, so there is competition even for construction jobs. The laborers stand in a yard every morning waiting to be chosen for work. The employer can be very choosy now: he sees how big, healthy and strong the laborer is. When an employer arrives to choose laborers, hundreds of people push forward, begging to be picked. One says "60" and another says he'll do the job for "55." It is very sad. The competition is driving down the wages, while the cost of living continues to rise. Unemployment now is so severe that people really are thinking of leaving.

For those laborers who do get work in Israel, conditions are very bad. For instance, they are not allowed to sleep in Israel, unless they are the very 'lucky' ones who work in restaurants and such places. There the boss really needs them, because the Jewish workers would refuse to work at night. So the boss gets the Palestinians a permit to sleep on the premises by guaranteeing their behavior. The laborers sleep in bad conditions—with just a blanket or two—and they function as guards.

The unlucky laborers must return home every day. Transportation is very expensive—more than 50 percent of their daily wage. For instance, if a laborer is lucky he gets IL 60 per day, but the cost of commuting to Tel Aviv and back is IL 34 each day. And the cost is usually more because you have to take another bus to get to the place of work. So a laborer may spend IL 40 per day on transportation, leaving him and his family only IL 20 to live on.

So, the laborers try to sleep illegally in Israel. When there was no unemployment, the police would close their eyes. After all, the Arabs were needed. They would rent a room from an Arab family in Jaffa, and sleep 10 to 15 in a room. But the police raids became frequent, so the laborers began sleeping in unfinished buildings and on construction sites. But they are being arrested there too. For the first arrest the punishment is only a fine, the second time a fine and prison, the third time the fine is higher and the prison sentence the same, the fourth time both the fine and the prison sentence are increased. It is becoming less and less worthwhile to go and work in Israel. Many try to find work closer to home, in agriculture, on kibbutzes.

Q: Are Gaza workers being used in the construction of Israeli settlements in the Sinai?

A: Yes, exactly, that's where they work. Who built the new settlement near Khan Yunis? Arab laborers. It is convenient and less expensive because they don't have to pay for transportation. I asked them why they work there and they said: "We don't have to pay fares, and they are going to build it anyway. If I don't take the building job, someone else will. So why should I pay IL 20 in transportation fares. No, I'll work here, nearer to my home." The Israeli settlers confiscated over a thousand dunams* of almond groves between Khan Yunis and Rafah, and now Arabs are working in their own groves as paid laborers. As you can see, things are very bad.

I also want to tell you about child labor. It is not unusual

to see big trucks around 11:30 in the morning waiting to take little children to work in agriculture in Israel. These children are as young as eight years. The children I have spoken to are from very needy families. They start working in the grove after school. Then they fail in their studies because they cannot study after picking fruit or vegetables all afternoon. So they give up school. It is very sad to see the corruption of these little children. They start smoking cigarettes and swagging down the street with their shirts half unbuttoned, like "Look at me. I'm a breadwinner!" They just get more and more corrupt, with a little money in their hands, but no education. It is a very strong temptation for a young child.

Q: Do Arab women also work in Israel?

A: There are plenty of women working, mostly in agriculture. They are underpaid, like the children, that's why the Israelis take them. Small hands are quicker at picking fruit and vegetables, so it is very profitable for the Israelis. There are also sewing workshops, where the Israelis bring the material, and it is sewn in Gaza, and then sold in Israel. A few women go to workshops in Israel.

Q: Could you give us a broad breakdown of the economy of Gaza?

A: According to the *Jerusalem Post* about a year and a half ago, 30 percent of the income in Gaza is from citrus, 30 percent is from what they call local industry—workshops bamboo, clay—and the rest comes from working in Israel. There is also a plastic factory and UNWRA—which employs people in the schools, clinics, feeding and distribution centers.

Q: How has the Gaza municipality—the mayor, etc.—responded to the attempt to incorporate the refugees? Has the municipality made any protest?

A: If there was, I didn't hear of it.



*1 dunam=1/4 acre.

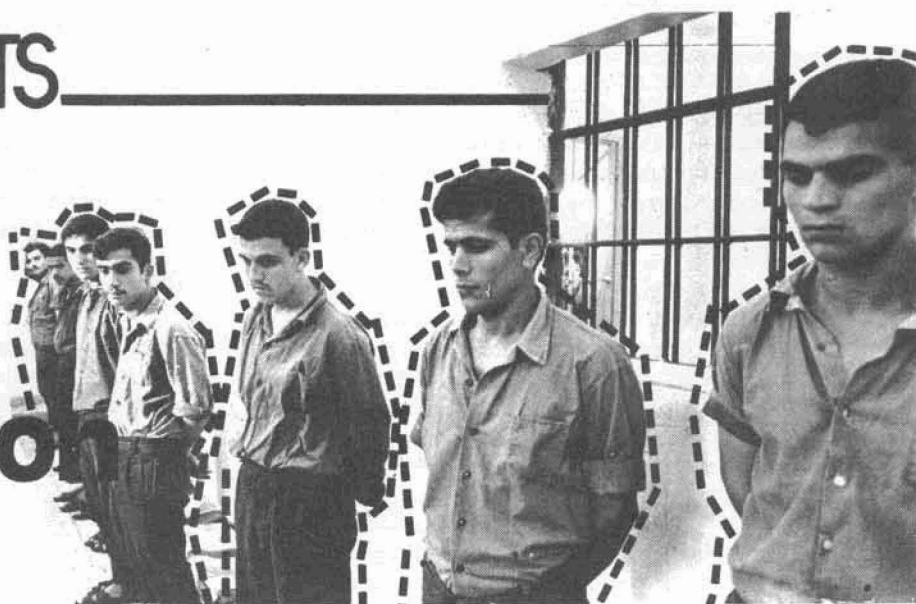
DOCUMENTS

Palestinians in Kafr Chouba prison

POTENTIAL LEADERS EXPELLED:

Israel's Deportation Policy

BY RAMI G. KHOURI



This document is based on a study prepared for the American Friends Service Committee by Ann Lesch. It is reprinted from the Jordan Times, November 8, 1977.

There is a poetic irony to the release and expulsion from Palestine of Greek Catholic Archbishop Hilarion Capucci at a time when one of the focal points of efforts to reconvene the Geneva Middle East Peace Conference is finding "acceptable" people in the occupied territories to represent the natives of the West Bank and Gaza.

The irony is there because the expulsion of Archbishop Capucci, while seemingly an isolated incident involving just one person, is really the latest episode in a ten-year-old Israeli effort to systematically wipe out the indigenous Palestinian Arab leadership in the occupied territories.

The instrument that has been most favored by the Israelis is deportation and forced exile, and a recent study conducted by an impartial and disinterested American religious group has shown that Israel deported over 1,500 West Bank and Gaza residents between June 1967 and March 1976.

A careful analysis of the study also shows that the deportees include a major slice of the indigenous leadership of the Palestinians living under Israeli occupation. Thus while Israel today bemoans the fact that it cannot find "representative" Palestinian Arabs to talk to in the occupied areas, the truth is that the natural leadership of those Arabs living under occupation has been systematically deported by the Israelis.

The study in question was financed by and prepared for the American Friends Service Committee (AFSC) (the Quakers), and it was compiled over a two-year period by an American political scientist, author and researcher named Ann Lesch. Most of her work was done while she lived in the West Bank in 1974 and 1975.

It was compiled from many different sources, including a previous list compiled by the deported Mayor of Arab Jerusalem, Mr. Rouhi Al Khatib, a list compiled independently by the Jordan Red Crescent Society, Jordanian police records, Arabic-, English-, and Hebrew-language newspapers published in Israel and in the occupied territories, various newspapers

around the Arab World, the Israeli state radio service, studies by the Permanent Committee for Palestinian Deportees, Western newspapers and books, and interviews conducted by Mrs. Lesch.

The result is a devastating indictment of the Israeli practice of deportation, which authoritatively lays to rest the Israeli claims that deportations are seldom carried out, or if so, are carried out because of "security" reasons.

The truth is probably that the systematic and methodical exile of the natural leadership of the Palestinian Arabs serves two overriding Israeli purposes: it physically eliminates the leaders who can rally the citizens to a resistance of the occupation, and, in its bitter example for those who are still living in the West Bank and Gaza, it deters the growth of an alternative, natural and open political leadership that could express the political rights and aspirations of the West Bank and Gaza Arabs.

The study compiled for the AFSC shows that a total of 1,136 individuals were deported between September 1967 and March 1976, as well as two tribes comprising some 350 people in all.

The first deportee was, symbolically enough, Sheikh Abdul Hamid Sayeh, President of the Muslim Religious Council and the highest Islamic religious figure in the West Bank, who was also one of the five people on the secret committee that ran Arab Jerusalem after the occupation. He was deported on September 23, 1967, to be followed in December 1967 by four other leading West Bank political figures—Faiq Warrad, Ibrahim Bakr, Kamal Nasser and Anton Atallah.

The AFSC study shows that after the five deportations of 1967 mentioned above, there were 69 deportations in 1968; 223 in 1969; 406 in 1970; 306 in 1971; 91 in 1972; ten in 1973; 11 in 1974; 13 in 1975 and two in 1976.

After Jordan stopped accepting deportees across the Jordan River bridges in November 1969, the Israelis turned to the doubly cruel practice of sending deportees walking across the hostile and often dangerous terrain of Wadi Araba,

between the Dead Sea and the Gulf of Aqaba, or else, more recently, taking them to the Israeli-Lebanese border and expelling them there, often with shots being fired over their heads.

In most cases, there are no specific charges brought against the deportees, and rarely is a trial held where the deportee can defend him or herself. The standard procedure is to send the deportee across the border, and then read out a statement from the Israeli governor of the occupied territories saying that the person is a "security risk."

A close examination of the list compiled by the AFSC also shows that several hundred of the deportees were in natural "leadership" roles in their communities, such as municipal officials, teachers or labor union activists, and that at least 100 deportees stand out as hard-core, active leaders in an organized manner, such as presidents of professional associations, editors of newspapers, mayors and municipal council members, heads of students' or women's groups, university presidents and school principals, judges, religious leaders (both Moslem and Christian), lawyers, doctors, village *mukhtars*, tribal leaders, and heads of social, welfare or charitable organizations.

The majority of the deportees, as indicated in the study, were already in Israeli jails, and many of these, as is the case in Israel, were being held under "administrative detention"—that is, without being charged with a crime. In many of the cases where jailed persons were given a trial by an Israeli military court, their sentences were often based on "confessions" extracted after torture sessions in several Israeli jails and "interrogation centers."

Most of the indigenous Palestinian leaders, however, were taken from their homes, often in the middle of the night, and summarily driven to the border for deportation. In most cases, they were charged with resisting Israeli occupation or not cooperating with the Israeli occupation authorities.

According to the 1949 Fourth Geneva Convention for the Protection of Civilians in Time of War, of which Israel is a signatory, deportation is strictly forbidden in the case of an occupation.

Israel argues that its deportations (and other illegal actions in the occupied territories, such as torture, settlements, mass reprisals, collective punishments, demolition of houses, destruction of entire villages, confiscation of lands, detention without trial, punitive curfews and forced exile to remote regions within Palestine or Israel, to name only the most blatant) are necessitated by its "security" dictates. And to appease the inquiries of others who may see in these Israeli practices a clear violation of the Geneva Conventions and basic, universal human rights, the Israelis invoke Law No. 112 of the Emergency (Defence) Regulations of 1945, which were promulgated by the British Mandatory Government and which remain in force in Israel. These laws, according to the Israelis, permit deportations.

The Israelis also claim that, besides the fact that the deportations are required for security reasons (as former Israeli Prime Minister Golda Meir told the International Red Cross in 1971), expulsion orders are "preferable" to detention for an indefinite period.

An Israeli delegate told a United Nations special committee in 1972: "The expulsion of certain individuals by the military authorities is an entirely different story. In view of the terror warfare waged against Israel from across the ceasefire lines,

Israel has been constrained to order a number of agents of terror organizations to leave the area under its administration. The total number of persons ordered out in the past four and a half years has not exceeded several hundred . . . I say that deportation is more humane, because in most cases it has been the alternative to long detention. Furthermore, deportation to Jordan is neither a deportation to a country of an occupying power, nor to the territory of a country, but means that an enemy agent is sent to those for whom he acted in contravention of the law." (See "International Documents on Palestine," 1972, p. 65).

The inevitable result of the Israeli policy of expelling the natural leadership of the West Bank and Gaza population is that those expelled people have only continued, and in many cases escalated, their leadership functions. Many of the deported citizens are members of the Palestine National Council, and others are on the Central Council and/or Executive Committee of the Palestine Liberation Organization.

One clear effect of the deportation policy has been the creation of something of a leadership vacuum in the West Bank and Gaza, though the ancillary Israeli efforts to create an artificial alternative leadership in those areas have failed.

The Israeli hope that the deportation of the established Palestinian leadership in the West Bank and Gaza would be quickly replaced by an alternative leadership that would acquiesce in or cooperate with the Israeli occupation has clearly boomeranged. With international efforts now keyed on finding a way to include the Palestinian people's representatives in the Geneva peace conference, the Arab states have all reaffirmed their decision of 1974 that the Palestine Liberation Organization must represent the Palestinian people at any international negotiations.

Israeli efforts have tried to undercut this Arab consensus by cultivating a new generation of West Bank and Gaza leaders, but this has been thwarted time and again by most municipal leaders of the occupied West Bank, who only last month submitted a joint memorandum to the United Nations General Assembly and Security Council reaffirming that they, the West Bank mayors, were elected only to be in charge of municipal affairs, and not to act as the political representatives of the Palestinians.

The fact is, and it has been dramatically emphasized by the study of 1,500 deportees compiled by the American Friends Service Committee, that the West Bank and Gaza Arabs are not leaderless, and they do not have an unnatural leadership vacuum.

Like any other society, they have their own leaders; but unlike most other societies, their leaders have been deported by the Israeli occupation authorities.

In the final analysis, the only relevant question is not who represents the West Bank and Gaza or who can speak for the Palestinians, but rather whether or not the Israelis ever intend to withdraw from the occupied territories.

Within this context, the present debate about who can speak for the Palestinians living under occupation becomes rather academic, and, coupled with the clear Israeli deportation policy, it probably represents the full dimensions of the basic Israeli strategy of stalling for time.

With a "leaderless" Palestinian population under Israeli occupation, the Israelis can keep warding off the Geneva talks simply by rejecting to deal with the PLO or PLO-approved individuals. As such, the Israeli insistence on who can or

cannot represent the Palestinians at the Geneva conference is probably little more than a procedural and tactical smoke-screen to hide the basic fact that Israel does not, in fact, intend ever to withdraw from the West Bank and Gaza.

The study on Israel's deportation record, seen in this context, may thus help outside analysts discern the underlying Israeli wish to retain the West Bank.

The following is a representative sample, out of the total 1,136 deported persons. They are listed in chronological order of deportation.

1. Sheikh Abdul Hamid Sayeh, President of the Muslim Religious Council and the highest Islamic figure on the West Bank. Sept. 23, 1967.

2. Ibrahim Bakr, lawyer, a coordinator of West Bank resistance and member of lawyers association; current President of Jordanian Lawyers Association and member of PLO Central Council. Dec. 20, 1967.

3. Kamal Nasser, poet and journalist, a coordinator of West Bank resistance; became official PLO spokesman in Beirut, and was murdered by Israeli assassination team in Beirut during his sleep on the night of April 10, 1973. Deported on Dec. 20, 1967.

4. Rouhi Al Khatib, Mayor of Arab Jerusalem, member of secret committee that ran Jerusalem after the occupation. March 7, 1968.

5. Zulaikha Ishaq Shihabi, President of Women's Union. Sept. 6, 1968. (Later allowed to return)

6. Ya'coub Al Ubaide, former Chairman of West Bank Teachers Association. Oct. 30, 1968.

7. Rev. Elia Khouri, Vicar of Ramallah Anglican Church, later member of PLO Executive Committee. April 16, 1969.

8. Issam Abdul Hadi, Secretary of Red Crescent and Women's Society in Nablus. April 27, 1969.

9. Miss Bushra Ibrahim al Adham, former secondary school principal in Nablus, women's society activist. Sept. 29, 1969.

10. Munir Al Rayyes, former Gaza mayor. Sept. 13, 1970.

11. Dr. Haidar Abdul Shafei, Gaza doctor and head of Red Crescent Society. Sept. 13, 1970. (Nos. 10 and 11 were later allowed to return).

12. Taisir Yusif Qu'bah, former President of General Union of Palestinian Students. Jan. 6, 1971.

13. Dhameen Hussein Odeh, stonecutter, chairman of the local workers union in Ramallah. Dec. 10, 1973.

14. Dr. Mustafa Hassan Milhem, dentist, former Halhul mayor and then deputy mayor. Nov. 4, 1974.

15. Ali Mahmoud Al Khatib, editor of Al Sha'b newspaper in Jerusalem. Nov. 4, 1974.

16. Dr. Hanna Nasir, President of Birzeit University, now member of Palestine National Council. Nov. 21, 1974.

17. Dr. Ahmed Hamza Al Natshe, Hebron surgeon; Director of Beit Jala hospital, candidate for Hebron mayorship, but deported before 1976 elections. March 27, 1976.

18. Dr. Abdul Aziz al Hajj Ahmed, Bireh dentist, president of West Bank Dentists Union, Palestine National Front Executive Committee, candidate for Bireh municipal council but deported before 1976 elections. March 27, 1976.

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For further information, contact Ilan Ziv or Faye Ginsburg, Middle East Film Festival, 200 Park Avenue South, Room 1603, New York, New York 10003. (212) 674-5533.

continued from p. 9

- ⁹ Arab Report and Record (ARR), 16-31 August 1977.
- ¹⁰ ARR, 16-31 Sept. 1977.
- ¹¹ FT, 1 August 1977.
- ¹² ARR, 16-31 Sept. 1977.
- ¹³ New York Times (NYT), 20 Oct. 1977.
- ¹⁴ EPA, Feb. 1977.
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- ¹⁶ Le Monde, 29 Dec. 1977.
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- ¹⁸ Foreign Broadcast Information Service (FBIS), 2 May 1977.
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- ²⁰ Le Monde, 3 Dec. 1977.
- ²¹ Al-Ahram, 27 August 1977.
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- ²⁴ ARR, 16-31 July 1977.
- ²⁵ See the article by M. Aulas in *Le Monde Diplomatique*, June 1977, for a detailed discussion of the Egyptian army.
- ²⁶ Arab World Weekly, 10 Dec. 1977.
- ²⁷ Le Monde, 3 Dec. 1977.
- ²⁸ IBID., 28 Dec. 1977.

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